



Daily Report

China

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NOTICE: An * indicates material not disseminated in electronic form.

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General

Dalai Lama Appeal for Tibetan Autonomy Denounced

*BK1007050295 Hong Kong AFP in English
0408 GMT 10 Jul 95*

[FBIS Transcribed Text] Beijing, July 10 (AFP) - China denounced Monday the Dalai Lama's recent appeal for international support for Tibetan autonomy, describing the call as a further attempt to split China.

The appeal, made during celebrations in New Delhi last week for the Tibetan spiritual leader's 60th birthday, "once again revealed his political intention of attempting to draw support from foreign forces to split the motherland and undermine national unity," a Foreign Ministry spokesman said.

Speaking to some 2,000 people in the Indian capital on Thursday, the Dalai Lama urged greater support for the Tibetan people "as human beings, who are prevented from exercising the rights and freedoms that many of us take for granted."

However, the Chinese spokesman argued that the Dalai Lama's words and actions "run counter to the fundamental interest of all Chinese people, including Tibetans, and therefore cannot enjoy public support."

The Dalai Lama fled Tibet in 1959 after a failed uprising against Chinese rule, and has headed a government-in-exile in the northern Indian town of Dharamsala ever since.

His birthday speech came amid an ongoing row with Beijing over the Dalai Lama's choice of the reincarnation of Tibetan Buddhism, the Panchen Lama.

The six-year-old boy approved by the Dalai Lama in May was fiercely rejected by Beijing which denounced the choice as "illegal and invalid," and lacking the sanction of the Chinese government.

U.S. To Use Vietnam To 'Contain' Beijing

*HK0807085395 Hong Kong TA KUNG PAO
in Chinese 6 Jul 95 p A3*

["Political Talk" column by Shih Chun-yu (2457 0689 3768): "Clinton Finds It Hard To Make a Decision on Establishing Diplomatic Relations With Vietnam"]

[FBIS Translated Text] Remarks of U.S. Senator Visiting Vietnam

At a meeting with reporters in Hanoi on 4 July, U.S. Democratic Senator Frank Lautenberg, who was visiting Hanoi at the time, talked about when the United States would be able to normalize diplomatic relations with Vietnam. He disclosed that President Bill

Clinton did not want to come under pressure from a Senate resolution on normalizing U.S.-Vietnamese relations and was expected to make a decision on establishing diplomatic relations with Vietnam before the Senate passed the resolution. That is to say, the U.S. Government wants to restore diplomatic relations with Vietnam at an early date.

On the issue of establishing diplomatic relations with Vietnam, Clinton also faces pressure from a strong domestic opposition faction. Consequently, he has to think twice before making such a decision.

The strong opposition to establishing diplomatic relations with Vietnam comes from family members of American servicemen taken prisoner by Vietnam during the Vietnam war and from those missing in action. These people have set up an organization in the United States called "POW.MIA [preceding term published in Latin alphabet]." This organization, together with the Vietnam War Veterans' Association, opposes the United States establishing official diplomatic relations with Vietnam. They demand that Vietnam must account for those MIA's before the question of restoring diplomatic relations can be discussed.

Veterans Are Opposed To Establishing Diplomatic Relations With Vietnam

Although the "POW.MIA" has only 2,200 members, it has the backing of the U.S. veterans' associations, which have a membership of 31 million.

If Clinton ignores this opposition force, it will be detrimental to his presidential election bid in November next year. But as far as Clinton is concerned, he must make a decision this summer on establishing diplomatic relations with Vietnam because after that there will be even more trouble and it will be increasingly unfavorable to his re-election bid.

In the United States, there are many people who are dissatisfied with Clinton for dodging the Vietnam war, denouncing him as a "deserter." If, in the latter period of the election campaign, he decides to establish diplomatic relations with Vietnam, he will certainly arouse fierce attacks by the opposition. He hopes to make a decision right now. Even if it should be attacked, the incident will be over by the November 1996 election and the effects will have been reduced to a minimum.

The Senate has put forward two resolutions. One calls for and the other opposes normalization of U.S.-Vietnamese relations. On 28 June, the House U.S. Servicemen Affairs Subcommittee invited for a hearing family members of former Vietnam war POW's and MIA's, who were unanimously opposed to establishing

diplomatic relations with Vietnam at an early date, saying it would be impossible to establish diplomatic relations before Vietnam delivers ample data on or the remains of those MIA's. In Congress, Bob Dole, a strong Republican candidate for the next U.S. president, also indicated his strong opposition. Obviously, this issue is one of the "artillery shells" with which the Republican Party is attacking Clinton.

The United States Has Ulterior Motives

The State Department vehemently calls for the early establishment of U.S.-Vietnam diplomatic relations. In early June, it urged Clinton to make a decision on this on the grounds that "Vietnam has displayed the posture of cooperating with the United States, so it is impossible for the United States to expect the Vietnam side to provide more evidence on those MIA's in the Vietnam war, which ended 30 years ago."

U.S. economic circles are also calling for an early resumption of diplomatic relations, for otherwise it will be very hard for U.S. enterprises to compete with other countries.

In January this year, the United States and Vietnam set up liaison offices in each other's countries. Judging by the current situation in their relations, it is only a matter of time before official diplomatic relations are established.

Vietnam will soon officially join ASEAN. The United States wants to comprehensively step up its economic relations with ASEAN, and this naturally includes developing bilateral economic and trade relations with Vietnam.

Politically, now that Sino-U.S. relations are at a low ebb, the United States wants to draw Vietnam to its side in an attempt to contain China [la long yue nam qi tu qian zhi zhong guo 2139 2379 6390 0589 0120 0956 3677 0455 0022 0948]. Especially in the dispute over sovereignty over the Spratly Islands, if the United States wants to poke its nose into this, it will have to take the initiative to join hands with Vietnam.

United States & Canada

Reportage on Harry Wu Arrest

Accused of Spying, Aliases

OW0807044295 Beijing XINHUA in English
0434 GMT 8 Jul 95

[FBIS Transcribed Text] Wuhan, July 8 (XINHUA) — Chinese American Wu Hongda [Harry Wu] was arrested here today by the local public security department. He was accused of illegally sneaking into China by using

aliases for several times, obtaining China's state secrets and conducting criminal activities.

XINHUA on Arrest

OW0807051695 Beijing XINHUA in English
0501 GMT 8 Jul 95

[Wu Arrested for Stealing China's State Secrets — XINHUA headline]

[FBIS Transcribed Text] Wuhan, July 8 (XINHUA) — Chinese American Wu Hongda [Harry Wu] was arrested here today by police on charges of entering into China under false names, illegally obtaining China's state secrets and conducting criminal activities.

Official sources said that Wu was caught by police at a frontier inspection station on June 19 this year, when he tried to sneak into China again by using an assumed name, Peter Wu.

Wu went to the United States from Wuhan, capital of central China's Hubei Province, to visit his relatives in 1985, and became an American citizen later.

Since June 1991, Wu, by using the aliases of "Peter Hwu" and "Harry Wu", slipped into China's areas and units closed to foreigners on several occasions, engaged espionage and bought secret information and stole secret documents. He carried these secrets abroad and provided them to foreign organizations and institutions.

Being accused of violating the law, Wu was arrested by the local public security department of the Wuhan City in accordance with the law. The case is prepared by the local judicial department of the city.

Further on Arrest

HK1007061695 Hong Kong WEN WEI PO in Chinese
10 Jul 95 p A2

[Editorial: "Harry Wu Case Reflects Mentality of the United States Marked by Antipathy and Gloom"]

[FBIS Translated Text] Following Li Teng-hui's visit to the United States to create "two Chinas" with Clinton's backing, the U.S. Government made an issue of the Harry Wu case, and wantonly interfered in China's judicial system and legal procedures. U.S. State Department spokesman Burns openly stated: If "a satisfactory solution accepted by both sides cannot be reached" on the Harry Wu case, "it will be impossible for the United States to maintain good relations with China." This is tantamount to undisguised blackmail and intimidation, which cannot frighten the Chinese people.

A country has laws to maintain its security and the integrity of its territory and sovereignty, as well as

entry-exit rules for foreigners to follow. It also may have organs, units, factories, or regions involving state security which are not open to foreigners. Foreigners are not allowed to visit these places without approval from the authorities. Meanwhile, no one is permitted to steal or spy on classified state documents.

On this question concerning China's sovereignty and security, the U.S. Government thinks that it can issue U.S. passports to certain anti-China elements labeled "human rights activists," and let them push their way right and left on Chinese territory, irrespective of Chinese laws, and that when it so orders, the Chinese Government will have to let these lawless elements go scot-free after having committed the crime of spying on and collecting China's secret documents. China is an independent sovereign state, which will resolutely safeguard its judicial independence and state dignity, and will not yield to U.S. pressure. The United States will never succeed in any of its attempts to manipulate China.

Harry Wu is but an anti-China clown raised by the United States. Over the past five years or so, he has willingly sold himself to a U.S. foundation, which instructed him to collect China's information, deliver speeches in all parts of the United States, give testimony to Congress, and use false and concocted material to vilify China on the export of prison goods and on the selling and transplantation of organs from executed prisoners. His behavior has damaged China's international reputation. In his actions, Harry Wu cooperated with the so-called U.S. plan for a "human rights" offensive and economic sanctions. The United States has seriously damaged China's state interests.

Accompanied by foreigners on each occasion, Harry Wu entered China on numerous occasions to collect China's classified information. As foreigners do not understand the Chinese language and personnel relations, Harry Wu played a role that is beyond the capacity of foreigners. Since 1991, Harry Wu has entered China, holding three passports with the name of Hong Da Wu, Harry Hwu, and Peter Wu, respectively. If he had no guilty conscience and were not involved in ulterior criminal activities, why did he have to change passports and sneak around, and dare not use his real name?

The places where Harry Wu chose to enter China also give us much food for thought. There are direct flights from the United States to Beijing and Shanghai, but Harry Wu did not take the normal way. He entered China once from northeast, twice from southwest, and once from Xinjiang's Huoerguosi. Apparently, his purpose is to enter the places and units in the sensitive border region not open to foreigners, and to buy and

collect information, steal documents, and take them abroad. The region from Kazakhstan to Xinjiang's border is sparsely populated, transportation there is inconvenient, traffic is difficult, the number of hotels is limited, and supplies of water and grain also are insufficient. Why, then, did Harry Wu want to break into the forbidden zone? It is quite natural for the public security organs to probe this lawless behavior.

No country has the right to make indiscreet remarks on another country, exert pressure on that country, make unreasonable demands, and ask it to release a criminal offender. The so-called representations by the U.S. Government are tantamount to trampling on Chinese laws. It is legal and rational for China to flatly reject the unreasonable U.S. demands. Whoever enters China must abide by Chinese laws, and whoever violates Chinese laws must be punished by Chinese laws. Chinese courts will judge cases according to laws and facts, which are not subject to foreign interference. Does the U.S. Congress allow foreigners to collect information in the United States?

Foreign forces harbor malicious intentions in supporting and buying over anti-China elements like Harry Wu and sending them to China to engage in activities. This reflects the mentality of antipathy and gloom of some people in the United States who, following the Cold War, want to apply Cold War means to interfere in and contain China. This inevitably will harm Sino-U.S. relations.

U.S. Assistant Secretary of State Lord said recently: "The United States hopes to improve its ties with China, but we cannot rule out the possibility of the two countries' becoming long-term opponents in the future, or the possibility of joining other Western nations in implementing a policy of containing China." This attitude shows that the U.S. side should be held responsible for the low ebb of Sino-U.S. relations. If the United States continues to play the Taiwan and human rights cards, meddle in China's internal affairs, undermine the foundation of Sino-U.S. relations — the principle of the three joint communiques — and refuse to thoroughly eliminate the grave consequences of Li Teng-hui's visit to the United States, it will be disadvantageous to world peace and stability. The cold War policy of "containing" other countries has gone bankrupt. If the United States attempts to apply the policy of "containment" to menace China, run against the tide of history, and lead Sino-U.S. relations onto the road of confrontation, it will be very dangerous and will be doomed to failure.

Wu Faces Trial

OW0807060095 *Beijing XINHUA Domestic Service in Chinese* 0437 GMT 8 Jul 95

[FBIS Translated Text] Wuhan, 8 Jul (XINHUA) — Wu Hongda [Harry Wu], who repeatedly sneaked into China under false names to illegally obtain our country's state secrets and conduct criminal activities, was, with the approval of the Wuhan City People's Procuratorate, arrested by the public security department of Wuhan city today [8 July] in accordance with the law.

Wu Hongda, by using the alias Peter Wu, attempted to sneak into China again on 19 June and was detected by our border public security organ. Wu Hongda went to the United States from Wuhan in 1985 and later became an American citizen. Since June 1991, by using the aliases Peter Wu and Harry Wu, he has repeatedly slipped into Chinese areas and units that are closed to foreigners to make secret inquiries [ci tan 0459 2232], buy secret information, and steal secret documents. He carried those secrets abroad and provided them to foreign organizations and institutions. Wu's activities violated Chinese law and constitute crimes. The case of Wu Hongda is now being tried [shen li 1399 3810] in accordance with the law by the judicial organization of Wuhan city where he lived before he moved to the United States.

U.S. Consul General Visits Wu

OWJ007094495 *Beijing XINHUA in English*
0937 GMT 10 Jul 95

[FBIS Transcribed Text] Wuhan, July 10 (XINHUA) — Consul General of the United States of America Arturo S. Macias visited here this afternoon American national Wu Hongda [Harry Wu] who was arrested by the Wuhan public security department two days ago.

Today's visit was arranged at the request of the U.S. Embassy in Beijing in accordance with the Sino-U.S. consular agreement.

Wu was accused of illegally entering China under false names several times, obtaining China's State secrets and conducting criminal activities in areas and institutions that are not open to foreign nationals. He has violated Chinese law and committed crimes.

The relevant Chinese department informed the U.S. Embassy in Beijing of Wu's arrest immediately afterwards.

Hong Kong Newspapers Comment on Wu Arrest**Effect on MFN Status**

HK0807060295 *Hong Kong SOUTH CHINA MORNING POST in English* 8 Jul 95 p 1

[By Simon Beck in Washington]

[FBIS Transcribed Text] Hong Kong officials are uniting with the American business lobby in an all-out campaign to quell growing congressional sentiment against China which is threatening to lead to sanctions.

More and more legislators are leaning towards full or partial revocation of Beijing's Most Favoured Nation [MFN] status, and the continued detention of activist Harry Wu is increasing the pressure.

Even the pro-MFN majority in both houses is beginning to seek some form of punishment for Beijing.

The storm over Mr Wu's fate escalated yesterday, with a US official denying Chinese claims that America violated consular protocol by failing to notify China of the violent deaths met by two of its nationals on US soil.

Congressional sources said yesterday that a resolution to deny MFN, already put forward by Congressman Frank Wolf, may be watered down under a bipartisan agreement, and formed into another resolution for which MFN supporters could vote.

Possible compromises are still being worked out but they might include partial revocation or other limited trade sanctions.

For example, a measure to ban imports from China unless the Secretary of State certifies they are not made by forced labour could be extracted from the Senate's Foreign Affairs Bill, where it is currently buried, and put to a vote in a resolution tied to the detention of Mr Wu.

"Some form of partial revocation is definitely possible," one Congressional aide said. "People are looking at ways of sending a strong message to China without completely taking away MFN."

However, the prospect of legislation — and the growing feeling that the leadership of both houses supports some kind of action — is ringing alarm bells in the Hong Kong Government office in Washington.

After Congress overwhelmingly supported President Bill Clinton's decision to delink MFN from human rights last year, it had been taken for granted the issue was dead.

But, said a Hong Kong official: "Things have really been picking up on this. We've been going to see freshmen a lot more frequently."

Lobbyists have targeted the large intake of Republican freshmen from the last election because new members have not been exposed to the MFN issue before and are seen as especially vulnerable to the House's vocal human rights caucus.

"Freshmen are very, very important," said Robert Kapp, president of the US-China Business Council, whose officials have been busy trying to quell moves towards hitting trade with Beijing.

Mr Kapp warned congressmen to avoid getting carried away on a wave of anti-China sentiment and threatening a Sino-US relationship which had been built over decades.

Meanwhile, State Department spokesman Nicholas Burns dismissed claims that the deaths of two Chinese citizens in the US showed America was being hypocritical about consular protocol.

Beijing said on Thursday that the US failed to inform Chinese officials of the deaths of Philadelphia man Lin Xiaguan, who died last year, and 16-year-old Huang Yongxin, who was shot by a New York policeman in March.

Although a Foreign Ministry spokesman classified the pair as Chinese nationals, the South China Morning Post reported in May that Huang's family had settled in America permanently nine years ago after emigrating from Guangdong.

The family is suing the New York police after their son was shot dead accidentally in Brooklyn.

Mr Burns also dismissed Chinese attempts to link the two deaths to the denial of access to Mr Wu.

"These two situations ... are not at all analogous," he said, adding that the department first heard of the US incidents when they were brought up on Thursday.

"It is time to stop playing a game of words," said Mr Burns. "It is time to stop the rhetorical wars that have been going on now for a couple of days."

He stressed again that it was time for China to come forward with information as to where the human rights activist was being held.

Mr Wu was arrested by border guards in the Xinjiang region on June 19, and has been allowed no contact with US officials since.

'Calculated Act of Defiance'

HK0907063295 *Hong Kong SOUTH CHINA SUNDAY MORNING POST* in English 9 Jul 95 p 10

[Editorial: "An Arrest That Spells Wider Trouble"]

[FBIS Transcribed Text] China's arrest of human-rights activist Harry Wu is a calculated act of defiance.

It indicates that Beijing has lost interest in repairing relations with Washington, and should be deeply troubling to Hong Kong and the entire region.

The arrest adds credence to suspicions that Mr Wu was deliberately lured back to China — being granted a visa that could easily have been refused — with the intention of making an example of him.

This is not the act of some local public security officials in central China, as Chinese reports would have us believe. A move of this magnitude can only have been made at the highest levels in Zhongnanhai, and with the full knowledge of its consequences for Sino-US relations.

That may explain why there was a delay of nearly three weeks in announcing Mr Wu's arrest, allowing time for President Jiang Zemin and other senior leaders to be fully consulted. They would have been warned of how Washington is likely to react and, in allowing the arrest, they are sending a signal that they do not care.

Winning the support of the People's Liberation Army — by playing on its outrage at Taiwan's recent diplomatic successes — is evidently more important than repairing relations with China's largest trading partner, as leadership contenders jockey for power in the post-Deng Xiaoping era. Certainly, there are no points to be gained in the politburo by being soft on the US.

Perhaps the latest crisis could have been averted if the two countries still had ambassadors in each others capitals. But it is more likely that Mr Wu had become such a thorn in Beijing's side, with his embarrassing revelations of forced prison labour and kidney transplants from executed prisoners, that China would have felt compelled to act to shut him up, whatever the state of relations.

President Clinton's administration has no interest in reacting in a way that will further worsen ties with China. Yet, like President Jiang, Mr Clinton faces domestic political pressures, which leave him with little choice.

The Republican-controlled Congress will be outraged by the arrest. House Speaker Newt Gingrich, a potential Presidential candidate, is said to be taking a personal

interest. Any half-hearted response by the Administration will only hand the Republicans another stick with which to beat the White House.

Those with a stake in good Sino-US ties — which includes most of Hong Kong's traders — must now brace themselves for rough weather in the months ahead. A question-mark already again hangs over China's Most Favoured Nation (MFN) trading status, only a year after President Clinton's decision to delink it from human rights seemed to have finally laid the issue to rest.

Barring a sudden miracle, relations can only now get worse, as the anticipated angry response by Washington to the latest development sets off further retaliation from Beijing and fuels a cycle of mutual recriminations which may prove impossible to halt.

Neither side can afford to back down. For the US, the arrest of one of its citizens is on a different scale from the more usual US concerns about Beijing's missile sales to third-world countries. For China, having publicly announced Mr Wu's arrest, it would be a major loss of face not to try and sentence him. Worse still, neither country has a leader in a powerful enough position to take the domestic risks that any initiative to repair relations would entail.

Hong Kong may receive some fringe benefits from the fallout. Already, British diplomats suspect that worsening ties with the US were one reason China agreed to sign the recent accord on borrowing for the Chek Lap Kok project — to show Washington that Beijing still enjoys good relations with other Western nations. If the present row continues, Vice-Premier Qian Qichen may prove to be surprisingly friendly during his October trip to London.

But none of this can compensate for the economic damage which will be done by a row between Hong Kong's two major trading partners. It is not just that the revocation of MFN would be disastrous: even the present row may send the stockmarket sliding, and further dent confidence in the territory's economy.

Just as Hong Kong has prospered from closer Sino-US ties in recent years, it must now be prepared to suffer the consequences of deteriorating relations in which the case of Harry Wu looks like another landmark.

U.S. Official Attempts Visit

HK1007045195 Hong Kong EASTERN EXPRESS
in English 10 Jul 95 p 1

[By Bruce Gilley]

[FBIS Transcribed Text] Washington's top diplomat in China was due to arrive in the central city of Wuhan last

night with the intention of visiting the arrested United States citizen Harry Wu, who was formally charged on Saturday with stealing state secrets and passing them to overseas organisations.

US Embassy officials, denied access to Wu throughout his three-week detention, hoped to meet him as early as today, a State Department statement said.

After being assured a meeting at some point would be allowed, Arturo Macias, the US consul-general, planned to travel to Wuhan yesterday, although the embassy refused to confirm this.

The US House of Representatives speaker, Newt Gingrich, urged tough political pressure, including the immediate recognition of Taiwan as a free country, to force Wu's release. But he said he did not favour blocking China's most favoured nation status because of the activist's arrest.

In a tearful appeal for help yesterday from Wu's home in Milpitas, California, his wife, Chen Ching-lee, said her husband returned to China "so he can bear witness to the system which killed so many people and so many of his friends." She said he is now in "serious and immediate danger." "I urgently appeal to President Clinton to act to take strong, strong action to save my husband," she said.

A spokesman for Wu's Laogai Research Foundation attacked the Chinese decision to try him for espionage as "ridiculous," saying its political significance was enormous. "What are state secrets? China's state secrets are that they use prison labour, that they sell the organs of executed prisoners — it's anything they don't want the world to know," Jeff Fiedler, of the Laogai Research Foundation, said. "The political significance of this is enormous," he said, adding, "they're also telling all overseas Chinese: 'We don't care what passport you hold.'" A key to discerning China's intentions is how it handles the consular meeting with Wu, Fiedler said.

Western diplomats in Beijing for the second time in four days said they believe hardliners within the Chinese government set a trap for Wu and, in keeping with historical precedents, Beijing would almost certainly use him as a bargaining chip in seeking to achieve foreign policy and economic objectives.

The New York-based Human Rights in China urged Beijing to convey assurances to the international community on the welfare of Wu, 58.

The charges, relayed in a brief dispatch by the state-run NEW CHINA NEWS AGENCY (XINHUA), were the first official word of Wu's fate in more than 10 days. He was taken into custody on June 19 entering China's

northwestern Xinjiang province from Kazakhstan. He was officially charged and arrested in Wuhan, the capital of Hubei Province, because the city was his last official place of residence in China before he left for the United States in 1985, it said.

In an unusual move, the Communist Party newspaper PEOPLE'S DAILY and other national daily papers carried the XINHUA report on Wu's formal arrest yesterday. Arrests of dissidents are seldom published in the state-controlled media.

XINHUA did not give details of the charges against Wu, but said he entered China under aliases, "travelled to places not open to foreigners, spied, bought secrets, stole secret documents, carried them abroad and provided them to outside organisations."

The Chinese Foreign Ministry has previously said that investigations into Wu's case focused on a trip to China from April 1 to May 6, 1994.

During the trip, Wu worked with a British television crew, secretly videotaping China's alleged sales in human organs taken without consent from death-row prisoners. He posed as a relative of a wealthy Chinese-American in need of a kidney.

PRC Doctors Want Wu Punished

HK1007045595 Hong Kong EASTERN EXPRESS
in English 10 Jul 95 p 6

[By Bruce Gilley]

[FBIS Transcribed Text] Two mainland doctors who unwittingly provided evidence about organ transplants to the arrested activist, Harry Wu, say Beijing should allow him no special privileges as a United States citizen.

Yang Yuru, of the Number One Hospital attached to Huaxi Medical College in Chengdu, Sichuan province, said yesterday no consideration should be given to the fact that Wu holds a US passport.

"It depends what evidence the authorities can gather, but he should certainly be punished strictly in accordance with the state laws no matter who he is," Yang said. Yang's testimony about the use of executed prisoners' organs was obtained by Wu and a British journalist, Sue Lloyd-Roberts, when they visited the hospital in April 1994 under the pretext that their relative needed an organ transplant.

That trip resulted in a BBC documentary on Chinese organ-trafficking that included video material that Wu taped using a concealed camera. US legislators showed parts of that documentary before Wu testified on the

issue before the Senate Foreign Relations Committee three months ago.

Yang came to prominence when Beijing refuted the documentary in a lengthy report issued by the official New China News Agency (Xinhua) last November.

It appears to be one of the focuses of Beijing's charges against Wu, who has visited China regularly since 1991.

Beijing charged that he "slipped into China's areas and units which are closed to foreigners and on several occasions engaged in espionage, bought secret information and stole secret documents". Wu then "carried these secrets abroad and provided them to foreign organisations and institutions," Beijing said.

Yang yesterday claimed that Wu had "made up material and used illegal methods" to make the report. "I never saw the documentary, but I know what it said and it was false," he said. Yang, who heads the hospital's urological department, said he leaped from his chair on Saturday night when the national evening news reported Wu's arrest on espionage charges. "I still have the name card he gave me. It says 'Peter Wu', but I knew immediately that this must be the same person," he said.

Meanwhile, China's foremost organ-transplant surgeon yesterday accused Wu of sneaking into his hospital and reporting "false things" abroad.

Xia Shuisheng, the chief of the organ-transplants centre at Tongji University hospital in Wuhan, said the hospital's foreign-affairs department had not formally received Wu and that only later did it learn of Wu's entry into the hospital with Lloyd-Roberts. "Only later did I hear about all the false things he created abroad," Xia, who performed China's first organ transplant in 1979, said yesterday.

Xia also lashed out at foreign concerns about China's organ trade. "The Chinese should be concerned about things in China and foreigners about things abroad," he said. Xia denied any knowledge of Wu being brought to Wuhan under arrest. "I have heard nothing. We have no contacts with the security department," he said.

Reasons for Arrest Viewed

HK1007052295 Hong Kong EASTERN EXPRESS
in English 10 Jul 95 p 14

[Editorial: "Wu a Pawn in a Game of Spite"]

[FBIS Transcribed Text] When the Taiwan President Li Teng-hui visited the United States last month, China reacted by warning the White House of the "severe consequences" that could arise.

At the time, the world did not take much notice of China's threat, one which echoed rhetoric that has been used for decades against enemies such as the US.

But Beijing's intention is now becoming clear. It has formally announced the arrest of a former Chinese citizen, Harry Wu, who holds a US passport, in retaliation against the US for its crime of "creating 'two Chinas,'" by granting Lee an entry visa.

Despite an emotional appeal by Wu's wife to US President Bill Clinton, Wu's fate appears sealed. In Wu's country of origin, rulers have a strange tradition of protecting their egos against American imperialists not by detaining US citizens as hostages — as Iran has done — but by imprisoning their own people.

The arrest of Wu highlights the psyche of the Chinese leadership. It is another sorry episode in a series of events such as the rearrest of the dissidents, Wei Jingsheng and Chen Ziming, who have been used ruthlessly as hostages in return for some economic gains such as the renewal of most-favoured nation trading status.

But the arrest of Wu is devoid of even cynical rationale. It was done simply out of spite. It all began with the recent diplomatic success of Li.

Those who must pay the price for Li's success are Wu and the US Government, which has an obligation to demand his release. It is, above all conduct of sheer cowardice.

China is soon to press charges against Wu for spying and/or stealing state secrets, which are punishable by death. It is not known yet what state secrets Wu has tried to steal.

Judging from his eloquence in the past in giving evidence against China on the issue of human rights, it is likely that Wu has made another attempt to collect some evidence on prison labour or the trade in organs from executed prisoners.

If this is the case, Beijing will have to explain why it has always denied that any form of prison labour exists in the mainland, and why it denies that organs of executed prisoners had been used for transplants.

If Wu has continued to collect evidence on these issues and is eventually charged with stealing "state secrets," it would mean that as "state secrets" the evidence given by Wu at Congress hearings in the past was true.

Wu himself, however, is partly to blame for his arrest. When he was granted an entry visa without difficulty by the Chinese Embassy, he should have realised — having spent long enough in a Chinese prison that his trip to China would take place at a sensitive time.

Underestimating the risk that lay ahead, he inadvertently offered himself up as a pawn in the latest political row between China and the US. Wu's courage, which is rare among Chinese people, is admirable. Let us hope that his US passport will eventually be his passport to freedom.

Jiang, Li Meet Departing U.S. Ambassador

HK0907084395 Hong Kong LIEN HO PAO
in Chinese 9 Jul 95 p 1

[Report by special correspondent Teng Pi-yun (6772 0012 0061): "Jiang Zemin and Li Peng Met the Departing U.S. Ambassador; Bilateral Ties Will Continue To Deteriorate for the Time Being"]

[FBIS Translated Text] According to a document distributed by the CPC Central Committee within a restricted range, CPC General Secretary Jiang Zemin and Premier Li Peng respectively met personally with U.S. Ambassador Stapleton Roy in June before his departure. Beijing's highest authorities have demanded that the United States eliminate the "grave" effects caused by Li Teng-hui's visit to the United States and take practical action to improve bilateral ties. Stapleton Roy criticized Clinton's China policy.

Following Li Teng-hui's visit to the United States, relations between mainland China and the United States have gradually deteriorated. After recalling their ambassadors, focusing on the Harry Wu incident, the two sides have blamed each other for violating the consular agreement. There has been no sign of improvement in Sino-U.S. ties over the past month or so. On the contrary, bilateral relations have further deteriorated, which has attracted great concern from the international media, fearing that Sino-U.S. relations being out of control might affect stability and security in the Asia-Pacific region. Top Beijing authorities are making a rational evaluation, trying to take the change in bilateral ties as a chip for consolidating their powers during the post-Deng period.

An authoritative source disclosed that the CPC Central Committee distributed to various units within a limited range the news of the meetings between Jiang Zemin and Li Peng respectively and Stapleton Roy, proving that Stapleton Roy met with Jiang Zemin on 15 June, met with Li Peng on 16 June, and left for the United States on 17 June. Detailed contents of the document were not given. Nonetheless, this move by the mainland authorities is aimed at telling the units concerned that the development of Sino-U.S. ties is under control and that they do not have to be panic-stricken about the continued deterioration of relations.

The source analyzed that the highest mainland authorities have taken a rational attitude in evaluating the development of Sino-U.S. ties and are not swayed by nationalist emotion as imagined by the outside world. Regarding the interests of the current CPC leaders, as it would not be to their advantage for a deterioration of relations between the two countries to take place after Deng Xiaoping's death, they would have to face all sorts of pressure from within and outside, and slight carelessness would make it impossible for them to maintain a steady succession to power.

However, if the lowest ebb of Sino-U.S. relations takes place before Deng's death, an improvement in bilateral relations after Deng's death will be a favorable factor for the steady succession of the current leaders. At least it can prove that the current leaders are backed by the international community during the critical period following Deng's death. As regards the current situation, Sino-U.S. relations have not yet reached the lowest point and such ties may continue to deteriorate in the future. The highest mainland authorities have taken a laissez-faire attitude toward bilateral ties. The hardliners from within (namely, the leftists) are on the rise and they are letting relations between the two countries continue to deteriorate.

The source said that the policy of "fading" ties adopted by President Clinton actually caters to the likes of the leftists within the CPC. These people bitterly hated former U.S. President Bush, because he had the experience of serving as an ambassador to China. He knew the Chinese mentality and that the best way to exert pressure on China is to maintain close contacts. As Clinton has left the position of U.S. ambassador to China vacant and the two sides have almost no diplomatic contacts, the hardliners take pleasure in mobilizing anti-U.S. sentiments. Because there are no contacts between the two sides, they cannot experience pressure from the U.S. side.

The source pointed out at the same time that the recent deterioration in Sino-U.S. ties has prevented the liberals and pro-U.S. intellectuals from speaking out. Under such circumstances, any pro-U.S. word or action may be labeled "traitorous." The situation of the liberals and hardliners struggling with each other for dominance before the arrival of the post-Deng era will be disadvantageous to the liberals having a favorable position after Deng's death.

U.S. 'Intervention' in Hong Kong Viewed

HK0807064895 *Hong Kong TUNG FANG JIH PAO*
in Chinese 8 Jun 95 p 3

["Forum" article: "U.S. Intervention in Hong Kong Affairs Introduces a Variable to Hong Kong Situation"]

[FBIS Translated Text] The U.S. Senate Foreign Relations Subcommittee on East Asian and Pacific Affairs has held a hearing to discuss the issue of Hong Kong. Winston Lord, Assistant Secretary of State for East Asian and Pacific Affairs, told participants at the hearing: The United States' concern for the smooth transfer of government in Hong Kong has been clear and strong. The United States' extremely close ties with Hong Kong in the economic, cultural, and social areas have prompted Washington's concern for Hong Kong affairs.

The United States adopted the "Hong Kong Relations Act" in 1992, providing guidance for U.S.-Hong Kong bilateral relations. China then criticized the United States for meddling in Hong Kong affairs through this act and for intending to interfere with China's internal affairs after the transfer of government in 1997. Nevertheless, over the past three years, the United States has been keeping basically a low profile in Hong Kong affairs without getting too deeply involved in them. During his visit to the United States in early 1993, Hong Kong Governor Chris Patten met with President Clinton, seeking the latter's support for his constitutional reforms. When meeting reporters Clinton only made some vague remarks, saying that "the United States always supports democracy." This indicated that the United States did not want to be directly involved in the disputes between China and Britain.

Last October, Chinese Foreign Minister Qian Qichen paid an official visit to the United States after the annual UN General Assembly. During his talks with Qian Qichen, U.S. Secretary of State Christopher said, "The issue of Hong Kong is a matter between China and Britain. The United States has no intention of meddling in this matter but means to protect U.S. interests in Hong Kong. The United States always wishes to settle its disputes with China." Recalling the above situation, one can see that the United States had been reluctant to meddle in the Hong Kong issue. The latest development, however, shows signs of change. The United States has suddenly become active and has even attempted to intervene in Hong Kong affairs.

Early last month, U.S. Consul General to Hong Kong Richard Mueller gave a speech at a luncheon meeting in which he elaborated on U.S. policy toward Hong Kong. In his speech he exerted pressure on China on the issue

of the Court of Final Appeal, one of the focuses of the Sino-British dispute. He called for the establishment of a Court of Final Appeal in Hong Kong before 1997, which he said would ensure judicial independence of the territory. Winston Lord visited Hong Kong in mid-May and held a two-hour meeting with Hong Kong Governor Chris Patten at the governor's residence. Although the content of their meeting was not released, what Winston Lord said before the U.S. Senate Foreign Relations Subcommittee on East Asian and Pacific Affairs during yesterday's [as published] hearing went beyond pure concern, but was an overt intervention in fact.

During yesterday's hearing, Winston Lord talked of the United States' two major concerns about Hong Kong affairs. First, the transition of the government structure, including the Legislative Council. The United States maintains that "members of the Legislative Council elected in 1995 should be allowed to complete their four-year term of office." The other concern is the issue of the legal system in Hong Kong. The United States maintains that "the establishment of a Court of Final Appeal before 1997 will be a crucial step toward increasing confidence in Hong Kong's ability to maintain effective operation of its legal system and preventing a judicial vacuum during the transitional period." The issues of concern as indicated by Winston Lord and his remarks showed that as far as Sino-British disputes are concerned, the United States is obviously siding with Britain. What is the future development of this affair? How will the United States "assist" Britain? These questions truly concern the stable transition of Hong Kong and merit Hong Kong people's close attention.

Recently there are indications that the United States is adjusting its strategy toward China. One of the latest developments in this regard is that the United States is trying to pin down China on the issues of Taiwan, Tibet, and Hong Kong. President Clinton's abrupt decision on admitting Taiwan's President Li Teng-hui into the United States has introduced a big variable to Sino-U.S. relations. After playing the "Taiwan card," the United States is now playing the "Hong Kong card," trying to get Hong Kong involved in the struggle between China and the United States. We believe this is not in Hong Kong's interests at all.

Some Hong Kong politicians may think that U.S. involvement in Hong Kong affairs can provide a stronger backing for them in their struggle with China. However, when Hong Kong is used as a chip in the card game between the United States and China, we in Hong Kong will most likely suffer from it before we can benefit from it. Bearing Hong Kong's very fundamental interests in mind, we should oppose any attempt to ma-

nipulate Hong Kong and force it to play such a role. However, since the United States as a major power is determined to do so, the Hong Kong people are helpless. The only thing we can do is to soberly face reality and do our best to safeguard our own wellbeing.

Sino-Canadian Anniversary of Ties To Be Feted

HK907081395 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 9-15 Jul 95 p 1

[Article by Wu Yunhe: "Sino-Canada Ties Stay Strong at 25"]

[FBIS Transcribed Text] Chinese and Canadian officials and business circles will set aside other matters to highlight bilateral economic ties on the 25th anniversary of the establishment of diplomatic relations between the two nations this October.

"I believe we will have a high-level visit from China to Canada in October this year, during which the two countries' officials and business people will actively develop their economic co-operations," Canadian Senator Jack Austin said.

Austin, also president of the Canada-China Business Council (CCBC), told Business Weekly the two nations' business circles will zero in on bilateral trade, investment, industrial and technological co-operation and Canada's support of China's entry into the World Trade Organization (WTO).

"We are very important partners for one another," Austin said.

Canadian Prime Minister Jean Chretien's visit to China with a delegation of about 400 Canadian business people last November has laid a solid foundation for the bilateral economic co-operation this year, he added.

Canada and China are discussing the sale of two Canadian nuclear reactors, which have been agreed to in principle by both sides in November last year.

The two countries have also agreed to jointly build thermal power projects in Haikou of Hainan Province. Austin said the two sides are discussing the terms of finance.

Meanwhile, Canadian business people have become active in the co-operative sectors of mining, satellite communications, engineering service as well as transport management.

In the agriculture sector, Canadian businesses are veteran co-operative partners with China in wheat and oilseed projects. In addition to being the top wheat supplier to China, they are also keen to provide technology in

fish catching and stock maintaining for their Chinese partners.

The Senator said that Canada has been a long-term supporter of China's efforts to enter WTO: "It is inevitable that China would become a cornerstone of the world trade system."

If China enters WTO, there will be more investment in China from Canada and other parts of the world because international businesses would understand what the rules are in China.

They would be international rules China has to agree to, Austin added.

Therefore, there would be much more security on the part of international investors to make their investment in China.

Meanwhile, China would also become a major investor in other parts of the world, if the WTO accepts China as a member, Austin predicted.

Northeast Asia

War Against Japanese Aggression Viewed

Book on 'Crimes' Pending

OW0707134695 Beijing XINHUA in English
1303 GMT 7 Jul 95

[FBIS Transcribed Text] Beijing, July 7 (XINHUA) — China will publish a book with some historical files recording the crimes committed by Japanese during their invasion in the Anti-Japanese War (1937-45).

The book, which will be published next month, contains 800 cases from files kept in the Beijing Municipal Archives, amounting to 1.1 million Chinese chapters. The files were based on investigations conducted by the Kuomintang Government on Japanese troops after the victory of the Anti-Japanese War.

The book provides, for the first time, evidence of Chinese women being forced to serve as "comfort women," as well as the burning, killing, and looting by Japanese soldiers and the bombing of Tianjin City and Zuoqian County.

Photos Document 'War Crimes'

OW0707135895 Beijing XINHUA in English
1336 GMT 7 Jul 95

["Feature: Anti-Japanese War In Pictures" — XINHUA headline]

[FBIS Transcribed Text] Beijing, July 7 (XINHUA) — Piles of photos that have been stored in China are now evidence of the war crimes committed by the Japanese

invaders and the sufferings of the Chinese people half a century ago.

The pictures, thousands of them, were kept by private citizens, or stored in Central Archives, the Museum of the Chinese Revolution, the Military Museum of the Chinese Revolution, or in various other institutions.

But, of all these, the China Photo Archives (CPA), the only national organization that collects photos, is the biggest in terms of the quantity of the files collected.

The 4,500-some pictures taken during the Anti-Japanese War and kept in storage by CPA were regarded as precious records of important events of the eight-year war period, including bacteriological warfare, the Nanjing Massacre, and the signing of the surrender document.

On July 7, 1937, Japanese forces attacked the Chinese garrison at Lugou Bridge, some ten kilometres southwest of Beijing. This incident marked the beginning of the Chinese people's heroic war of resistance against the Japanese.

Some photos about Chinese Communist Party (CPC) leaders fighting together with the Chinese people against the Japanese invaders have been out of print, and those about the Second Cooperation between the Kuomintang and the CPC from 1937 to 1945 are rarely seen.

"Original copies of many pictures exist only in China," said Sun Xiuwen, an archivist with CPA. The most famous one of these pictures is the picture of Mao Zedong writing his well-known book *On Protracted War*.

Many were taken by war correspondents, some of whom died in battle, while others were taken by senior CPC officials or generals.

CPA has also acquired photos from other anti-fascist fights, especially those of Southeast Asian people, through various channels.

It has also kept a collection of photos of the Chinese government bringing Japanese POWs to trial and releasing them afterwards, and of commemoration ceremonies organized by Chinese people yearly.

One collection is of the son of Chang Hsueh-liang attending an anti-fascist ceremony held in northeast China's Liaoning Province. Chang, or "Young Marshall" as he was known, was the commander of the Kuomintang's northeastern armies, and was co-leader of the 1936 Xian Incident in which Chiang Kai-shek was forced for the first time to agree to a cease-fire of the domestic war and to fight the Japanese invasion instead.

"We have taken steps to control the temperature and moisture in the storerooms to avoid any of the negatives or pictures being destroyed," Sun explained.

CPA selected part of its collection of the Second World War for the "Unforgettable Memory" photo exhibition, which was held on the 58th anniversary of the July 7th Incident and the 50th anniversary of the Victory of the Anti-Japanese War.

"Pictures do not lie," Sun added.

War Archives Opened

OW0907120395 Beijing XINHUA in English
1151 GMT 9 Jul 95

[FBIS Transcribed Text] Guangzhou, July 9 (XINHUA) — A batch of important historical files made public by the Guangdong Archives over the weekend exposed the crimes committed by Japanese invaders in China half a century ago.

According to these files, some 9,287 Japanese aircraft attacked this southern province in the period of 1937 to 1938. They dropped 16,823 bombs, killing 2,599 and wounding 5,108 people and damaging 4,505 houses.

One of the historical records described that Guangzhou, the capital city of Guangdong province, had been in a fire for three days since the Japanese troops invaded the city on October 21, 1938, destroying more than 40 streets. During the Japanese occupation of the city, the local residents decreased to 0.4 million from 1.3 million.

Japanese invaders also fired bacteriological poison gas shells and forced local people to receive poisonous injections in Yangjiang and other areas in the province.

The Guangdong Archives also stored newspapers, periodicals, books and other materials published during the war time. These publications eloquently exposed the brutal crimes of the Japanese invaders and recorded the heroic deeds of guerrilla forces led by the Communist Party of China.

Air Routes To Link Beijing, Qingdao With Osaka

OW0707162195 Beijing XINHUA in English
1557 GMT 7 Jul 95

[FBIS Transcribed Text] Shanghai, July 7 (XINHUA) — China East Airlines will open two new air routes this month, one from Beijing to Japan's Osaka City and another from Qingdao, a major seaside tourist city in east China's Shandong Province, to Osaka.

A spokesman with the Shanghai-based airline said the air link between Qingdao and Osaka will open on July 18, with flights each Tuesday and Friday, returning the same day.

The route between Beijing and Osaka will start on July 20, with flights each Thursday, returning the same day.

China East Airlines currently operates 10 international air routes flying to 12 cities in Asia, Europe, and the U.S.

Both new air routes will use an Airbus A300, the spokesman said.

Service Marks Anniversary of Kim Il-song's Death

SK1007095395 Beijing China Radio International in Korean 1100 GMT 8 Jul 95

[FBIS Translated Text] Today is the first anniversary of the death of President Kim Il-song. Recently, masses from all walks of life from various cities in North Korea laid wreaths in front of President Kim Il-song's statue at Mansudae Hill in Pyongyang and expressed deep yearning for him.

According to another report, a memorial service was held at the DPRK Embassy in the PRC on 7 July. Comrade Hu Jintao, member of the Standing Committee of the Political Bureau of the CPC and member of the Secretariat, went to the DPRK Embassy and presented a floral basket under the name of the CPC and the Central Committee, and once again expressed condolences.

Southeast Asia & Pacific

Beijing, Cambodia Exchange Loan Payment Note

SK1007042295 Beijing XINHUA Domestic Service in Chinese 1647 GMT 3 Jul 95

[FBIS Translated Text] Phnom Penh, 3 Jul (XINHUA) — A ceremony of exchanging notes on the payment of \$8.6 million loan provided by the PRC for the Kingdom of Cambodia was held in the Cambodian Ministry of Foreign Affairs on the morning of 3 July.

At the request of the Kingdom of Cambodia Government, the PRC Government agrees to pay the \$8.6 million loan set in the economic and technical agreement signed by the governments of China and Cambodia on 17 January 1994 in the following ways: Payment for buying two Y-12 air planes offered by China National Aero-Technology Import and Export Corporation, payment for buying jeep cars and trucks offered by China, and payment for helping Cambodia rebuild its sports town in Phnom Penh.

Signing their names on the notes exchanged at the ceremony were Xie Yue, PRC ambassador to Cambodia; and Ung Huot, state secretary of Foreign Affairs and International Cooperation of Cambodia.

Chi Haotian Meets Thai Crown Prince, Minister

OW0907125995 Beijing XINHUA Domestic Service in Chinese 1652 GMT 30 Jun 95

[By reporter Wang Weijun (3769 5398 6511)]

[FBIS Translated Text] Bangkok, 30 Jun (XINHUA) — Thai Crown Prince Maha Wachiralongkorn met Chi Haotian, visiting Chinese state councilor and national defense minister, and his party this afternoon, during which they held a very cordial and friendly talk.

During the meeting, Chi Haotian first requested his highness the crown prince to convey President Jiang Zemin's regards to the king and the queen and wished the king's mother a speedy recovery of good health. Chi Haotian said: The friendly Sino-Thai relations go back to ancient times with cooperation in various fields between the two countries being rapidly developed in the past nearly two decades.

Recalling his four visits to Thailand, Chi Haotian said that he was once cordially received by the king, who attaches great importance to the development of bilateral relations. He still has a fresh memory of his previous visits.

His highness the crown prince said that he was very delighted to meet Minister Chi and his party on behalf of the king and the queen. He also requested Minister Chi to convey his greetings to President Jiang Zemin, the Chinese people, and the Chinese Armed Forces. He said that he personally witnessed a rapid development of Thai-Chinese friendly relations in the past nearly two decades. Thailand and China indeed have a long history of friendly relationship, and during his several visits to China, he was cordially received by the Chinese Government and the people.

The crown prince said that the king attaches great importance to developing Thai-Chinese friendly relations and shows interest in Minister Chi's current visit. He wished Minister Chi and his entourage a successful visit to Thailand.

Before his audience with the crown prince, Minister Chi met Thai Defense Minister Wichit Sukmak and had a cordial talk with him. Both sides pledged joint efforts to speed up the development of friendly and cooperative relations between the two countries and their Armed Forces.

Chairman Li Ruihuan Meets Thai Privy Councillor

OW1007101495 Beijing XINHUA in English

0855 GMT 10 Jul 95

[FBIS Transcribed Text] Beijing, July 10 (XINHUA) — Li Ruihuan, Chairman of the National Committee of

the Chinese People's Political Consultative Conference (CPPCC), met with Sitthi Sawetsila, visiting Thai Privy Councillor in the Great Hall of the People today. They exchanged views on how to strengthen bilateral relations between the two countries.

Extending welcome to Sitthi as an old friend of the Chinese people, Li Ruihuan said Sitthi had played an important role in linking the two countries diplomatically 20 years ago and in helping promote the friendly exchanges and cooperation between them ever since.

The Chinese government attaches much importance to enhancing Sino-Thai ties and is satisfied with the progress in political, economic exchanges and cooperation in recent years. The good relations between the two countries are expected to be further enhanced, Li said.

Sitthi said that the Royal Thai Family and the Thai government give much importance to developing the Thai-Chinese relations. This has been featured by the frequent exchanges of visits by senior leaders of the two countries. He congratulated on China's economic achievements as a result of implementing the reform and open policies. China's economic growth would not only benefit its own people but be conducive to peace, stability and prosperity of the whole world.

West Europe**Jiang Zemin, Entourage Continue European Visit****Visits Heroes Tombs**

OW0807144595 Beijing XINHUA Domestic Service in Chinese 1636 GMT 6 Jul 95

[FBIS Translated Text] Helsinki, 6 Jul (XINHUA) — PRC President Jiang Zemin went to the Haimamier [name as transliterated] Cemetery in downtown Helsinki on the afternoon of 6 July, where he laid wreaths on the Finnish Heroes' Tombs.

At 1615 local time, President Jiang Zemin arrived at the cemetery, which was encircled by pine and cypress trees. Accompanied by Yuejining and Yiskaniusi [names as transliterated], commanders of the Helsinki military and garrison commands, Jiang Zemin respectfully laid the wreaths.

After laying the wreaths, President Jiang Zemin stood listening to the solemn and magnificent song, "Ode to Finland," while paying silent respect to the heroes.

Feted by President

OW0707112895 Beijing XINHUA Domestic Service
in Chinese 0222 GMT 7 Jul 95

[By reporters Zhao Changchun (6392 7022 2504), Wei Guoqiang (7614 0948 1730), and Lu Jing (4151 0513)]

[FBIS Translated Text] Helsinki, 6 Jul (XINHUA) — Finnish President Martti Ahtisaari hosted a grand banquet at the Presidential Building's State Hall this evening in honor of visiting PRC President Jiang Zemin and his party.

A warm atmosphere of welcoming the distinguished guests from China permeated the brightly illuminated hall. President Jiang Zemin and his wife, Wang Yeping, entered the banquet hall in the company of President and Madame Ahtisaari.

Delivering his welcoming speech, President Ahtisaari extended a warm welcome to President Jiang Zemin. He said: This is the first visit that a PRC head of state has paid to Finland, and it is an important event in the history of the two countries' relations. Finnish-Chinese relations are good and many Chinese leaders have visited Finland in recent years. The Finnish president expressed the belief that President Jiang Zemin's visit will further strengthen Finnish-Chinese relations.

President Ahtisaari stressed: China is playing an increasingly important role in the international community. China's importance as Finland's trade partner is growing. Finnish-Chinese trade has tripled over a period of five years. Finnish businesses have exported large quantities of products, especially high-technology goods, to China. China is also an important country for Finnish businesses' foreign investments. The two countries can launch some new cooperation projects, and even sizable projects, in the fields of forestry, timber processing, energy, and environmental protection, especially protection against air and water pollution. As the situation develops, Finnish departments will establish direct, effective cooperation with Chinese local authorities. While ensuring cooperation between central departments, we hope that we can develop direct local cooperation in a way appropriate to local conditions.

President Ahtisaari concluded: Finnish-Chinese relations are built on a solid foundation. As the Chinese people put it, the root of the tree of Finnish-Chinese relations is deep, and its foliage is luxuriant. Our cooperation will continue to develop rapidly.

In his speech, President Jiang Zemin wholeheartedly thanked his host for the well-conceived reception and warm hospitality, and spoke highly of the Finnish people's strenuous struggles in their history to achieve and safeguard their national independence, and their firm

and indomitable national spirit in building Finland into a modern country, as well as their invaluable contributions to safeguarding world peace and promoting international cooperation.

Jiang Zemin said: This year coincides with the 45th anniversary of the establishment of Sino-Finnish diplomatic relations. While time has brought great changes to the world over in nearly half a century, Sino-Finnish relations have always developed normally and steadily. In recent years, contacts between high-level leaders of the countries have been frequent; the two countries' co-operation and exchanges in economic, trade, scientific, technological, and cultural sectors have continued to broaden and deepen; and the two countries' relations have entered a new period of all-round development. The reason Sino-Finnish relations can develop steadily despite winds and storms is because our two countries, proceeding from our fundamental interests, respect each other, seek similarities while reserving differences, treat each other equally for mutual benefit, and carry out friendly cooperation. This is an important experience for maintaining friendly Sino-Finnish relations over the past several decades, and it should serve as the principle guiding the development of our relations. China and Finland share a broad range of common interests, we can complement each other economically, and there are prospects for further development. We are willing to work hard with Finland to tap our potentials, explore new areas of cooperation, and usher in the arriving 21st century with even more solid and more vital Sino-Finnish relations.

Jiang Zemin said: China has made tremendous efforts in respect of ensuring people's rights of subsistence and development, and the successes we have achieved in this regard have grabbed worldwide attention. We have also made significant headway in building stronger democratic and legal systems. China's development and prosperity will open broad prospects for further developing and expanding mutually beneficial cooperation between China and all other countries in the world, including Finland.

Jiang Zemin pointed out: Our world today is experiencing enormous and profound changes. Although the Cold War has ended, the universal peace that people were anticipating has yet to appear. If we take a look at the world, we can see that it is not peaceful. The world's economic development is uneven, and the gap between the South and North is still widening. World peace and common development have become mankind's common anticipations. As the Chinese people have gone through a good deal, we particularly love peace and yearn for development. China will unswervingly uphold an independent and peaceful diplomatic policy, and, on the basis of

the five principles of peaceful coexistence, will develop friendly cooperation with all countries, and contribute our share to safeguarding world peace and promoting mankind's common development.

Attending the banquet were Qian Qichen, vice premier and foreign affairs minister; Zhou Hanqiong, his wife; Zeng Qinghong, special assistant; Wu Yi, minister of foreign trade and economic cooperation; Zheng Jinjiong, Chinese ambassador to Finland; and President Jiang Zemin's chief aides.

Attending the banquet on the Finnish side were Riitta Uosukainen, parliamentary speaker; Tarja Halonen, foreign minister; Ole Norrback, European affairs minister; Sauli Niinistö, justice minister; Anneli Taina, defense minister; and Gustav Hagglund, commander of the National Defense Armed Forces; and Ilkka Ristimäki, Finnish ambassador to China.

Jiang Holds Interview

OW0707152395 Beijing XINHUA in English
1504 GMT 7 Jul 95

[FBIS Transcribed Text] Helsinki, July 7 (XINHUA) — Visiting Chinese President Jiang Zemin said here Thursday [7 July] that China will continue to go along the road of building socialism with Chinese characteristics as initiated by Deng Xiaoping.

Jiang, who is here on a state visit to Finland, made the remarks in an interview with reporters from two Finnish TV stations.

Answering questions about China's current policies in national development, Jiang said that 17 years of practice have proved that Deng's theories are correct and have won support from the Chinese people.

The core of Deng's theories is to develop China's socialist productive forces, raise the people's living standards, and increase China's overall national strength. Jiang said.

As to the difficulties China encounters in transforming its old system of a planned economy to a socialist market economy, Jiang said that establishing a market economy under a socialist system was unprecedented and difficulties were inevitable during the transition.

He said the Chinese government pays close attention to correctly handling the relationship between reform, development and stability because the economy should be developed through reforms in a stable situation.

"We are fully confident of solving the difficulties we are faced with in developing the economy," said Jiang, who is at the core of China's third generation of leadership.

In response to a question on what foreign experiences China can use for reference, Jiang said that in building a socialist market economy, China is willing to learn from all countries, including the developed Western countries, and to absorb all things that are beneficial to it.

Jiang stressed that China will continue to open up to the outside world and will try to do better in absorbing everything good and resisting everything that could be harmful.

Wu Yi Meets Affairs Minister

OW0707163695 Beijing XINHUA in English
1620 GMT 7 Jul 95

[FBIS Transcribed Text] Helsinki, July 7 (XINHUA) — Wu Yi, China's minister of Foreign Trade and Economic Cooperation, held talks Thursday with Finland's European Affairs Minister Ole Norrback on expanding economic and trade cooperation between their two countries.

Wu, accompanying Chinese President Jiang Zemin on a visit to Finland, said that China expected Finland to use its influence in the European Union (EU) in reducing and eventually lifting the EU's restrictions on China's exports.

Meanwhile, Wu urged Finland to help its small and medium-sized enterprises invest in or cooperate with China by setting up industrial areas in China.

Norrback said that Finland supports China's membership in the World Trade Organization.

After the meeting, the two leaders attended the signing ceremony of six economic agreements and contracts valued at nearly 93 million U.S. dollars.

Jiang Meets Business Leaders

OW0807012895 Beijing XINHUA in English
0103 GMT 8 Jul 95

[FBIS Transcribed Text] Turku, FINLAND, July 7 (XINHUA) — Visiting Chinese President Jiang Zemin said here today that there are vast potentials for Sino-Finnish cooperation in China's major fields of development.

Jiang, in a meeting with some Finnish business leaders, said China welcomes more Finnish businessmen and entrepreneurs to join China's economic reconstruction by investing in that country.

Finland was among the first group of western countries to establish diplomatic ties and also the first western

country to sign government-level trade agreement with the People's Republic of China, Jiang said.

He said Finland has advantages in the fields such as forestry, paper-making, timber processing, telecommunications, environmental protection and metallurgical industry.

The president noted that the current Sino-Finnish trade volume is still low and there are immense potentials for cooperation between the countries.

Jiang also briefed the Finnish entrepreneurs on China's progress in implementing the policies of reform and opening to the outside world as well as in economic and social development.

Finnish President Martti Ahtisaari was present at the meeting.

Speaking on the occasion, Finland's Minister of European Affairs Ole Norrback said that China, which is undergoing economic reforms, is playing an important role in the global economic development.

The minister noted that trade relations between Finland and China have been expanding in recent years and will continue to grow.

Finland, having joined the European Union, still hopes to further develop the economic and trade ties with China, he said.

Georg Ehrnrooth, chairman of the Central Union of Industries and Employees of Finland, said in his welcoming speech that, with the development of China's economy, more progress can be made in bilateral cooperation.

During the meeting, representatives from some largest Finnish enterprises gave an account of the country's major development in production and technological fields.

Wu Yi, China's minister of foreign trade and economic cooperation, and Zeng Peiyan, vice-minister in charge of the State Planning Commission, answered questions raised by the Finnish entrepreneurs concerning Sino-Finnish cooperation.

Wu and Zeng are accompanying Jiang on the visit, the first by a Chinese head of state to this country.

Qian Terms Visit 'Successful'

*OW0807013295 Beijing XINHUA in English
0120 GMT 8 Jul 95*

[FBIS Transcribed Text] Turku, FINLAND, July 7 (XINHUA) — Chinese Vice-Premier and Foreign Minister Qian Qichen said here today that the state visit by

President Jiang Zemin to Finland is "fruitful and successful."

At a banquet hosted by Pirkko Tyolajarvi, governor of the Province of Turku-Pori, in Jiang's honor, Qian said Jiang and Finnish President Martti Ahtisaari reached wide-ranging consensus through in-depth exchange of views on bilateral relations and other issues of common concern.

"We have not only gained more knowledge about the achievements Finland has made in various fields, but also felt the friendly sentiments of the Finnish people to the Chinese," the foreign minister said.

Qian added that Jiang's visit has helped increase the mutual understanding and enrich the existing ties between China and Finland.

President Ahtisaari, who is accompanying Jiang on the tour, was present at the banquet.

Speaking on the same occasion, Governor Tyolajarvi said she was happy to have the opportunity to display the province's advanced technology to Jiang.

Jiang toured a copper plant, which adopts an advanced method of "flash melting," in the city of Harjavalta in this province earlier today.

According to the governor, some colleges and universities in Turku are ready to work together with Chinese institutions of higher education in an effort to promote cooperation between medium- and small-sized enterprises of the two countries.

Jiang arrived here from Helsinki today and is scheduled to leave for Budapest via Helsinki Saturday.

Presidents Hold 2d Meeting

*OW0807174695 Beijing XINHUA in English
1735 GMT 8 Jul 95*

[FBIS Transcribed Text] Naantali, FINLAND, July 8 (XINHUA) — Chinese President Jiang Zemin said here today that China is willing to develop friendly relations with all countries on the basis of the five principles of peaceful co-existence.

China is also willing to forge stable and long-term ties with Finland and other European nations, Jiang said during his second meeting with Finnish President Martti Ahtisaari at Ahtisaari's summer residence in Kultaranta.

At the meeting, the two leaders exchanged views on the current international situation and other issues of common concern.

Jiang briefed Ahtisaari on China's views on the situation in Asia and the world, while Ahtisaari gave an account of Finland's views and foreign policy.

Jiang said that seeking peace and stability and promoting cooperation and development have become the main stream of development in today's world, which is undergoing profound changes.

He said that China pursues an independent foreign policy of peace, aimed at safeguarding national independence, sovereignty and territorial integrity and creating a stable and peaceful international environment beneficial to its reform and opening-up as well as to its modernization drive.

Ahtisaari said that Finland, which is a member of the European Union, attaches importance to relations with Asian nations, especially China.

He said after the end of the Cold War, the international situation, particularly the situation in Europe, has changed greatly.

However, peace has not really come as regional conflicts and wars have broken out, he said, adding that the international community is faced with a series of new problems.

Finland holds that all countries should cooperate and take an active part in international affairs, Ahtisaari said.

Chinese Vice-Premier and Foreign Minister Qian Qichen was also present at the meeting.

More on 2d Meeting

OW0907021295 Beijing XINHUA Domestic Service in Chinese 1747 GMT 8 Jul 95

[By reporters Wei Guoqiang (7614 0948 1730), Lu Jing (4151 0513), and Zhao Changchun (6392 7022 2504)]

[FBIS Translated Text] Naantali, (Finland). 8 July (XINHUA) — While holding a second meeting with Finnish President Martti Ahtisaari on 8 July, President Jiang Zemin of the People's Republic of China said that China is ready to establish and develop friendly relations with all other countries on the basis of the five principles of peaceful coexistence. He also said that China is willing to forge stable and long-term ties with Finland and other European nations.

Jiang Zemin said: China will unwaveringly pursue its open-door policy that will extend over all regions and continuously strengthen its exchanges and cooperation with other countries in economy, trade, science, technology, culture, and other fields.

The meeting was held at Ahtisaari's summer residence in Naantali city, Turku-Pori Province. In a cordial

and friendly atmosphere, Chinese and Finnish leaders extensively exchanged their opinions about the current international situation and other issues of common concern.

At the meeting, Jiang Zemin briefed Ahtisaari on China's views on the situation in Asia and the world as well as China's foreign policy. He said: In general, seeking peace and stability and promoting cooperation and development have become the main stream of development in today's world, which is still undergoing profound and complicated changes. China pursues an independent foreign policy of peace, aimed at safeguarding national independence, sovereignty and territorial integrity and creating a stable and peaceful international environment beneficial to its reform and opening up as well as to its modernization drive.

Ahtisaari gave an account of Finland's views on the international situation and its foreign policy. He said: Since the end of the Cold War, the international situation, particularly the situation in Europe, has changed greatly. However, peace, which we are longing for, has not really come as regional conflicts and wars have broken out. The international community is faced with a series of new problems.

He said: Finland holds that all countries should cooperate and take an active part in international affairs. Finland, which is a member of the European Union, attaches importance to relations with Asian nations, especially China.

Chinese Vice Premier and Foreign Minister Qian Qichen was also present at the meeting.

Delegation Departs for Hungary

OW0807132795 Beijing XINHUA in English 1315 GMT 8 Jul 95

[FBIS Transcribed Text] Helsinki, July 8 (XINHUA) — Chinese President Jiang Zemin ended today his state visit to Finland, the first by a Chinese head of state to this country, and left here for Budapest.

Chinese Vice-Premier and Foreign Minister Qian Qichen, accompanying Jiang on the tour, earlier described the visit as "fruitful and successful."

Finland was the first leg of Jiang's three-nation Europe tour which will also take him to Germany, besides Hungary.

During his stay in Finland, Jiang had meetings with President Martti Ahtisaari, Prime Minister Paavo Lipponen, parliament leader Riita Uosukainen and some business leaders.

Meanwhile, Chinese and Finnish enterprises signed a number of agreements and contracts on cooperation in paper-making, chemical fertilizer, medicine and other areas. The total value of the agreements and contracts is estimated at about 93 million U.S. dollars.

Jiang Visit Reviewed

OW0907035695 Beijing XINHUA Domestic Service
in Chinese 1352 GMT 8 Jul 95

[By reporters Zhao Changchun (6392 7022 2504), Lu Jing (4151 0513), and Wei Guoqiang (7614 0948 1730)]

[FBIS Translated Text] Helsinki, 8 Jul (XINHUA) — President Jiang Zemin of the People's Republic of China successfully concluded his fruitful state visit to Finland on the afternoon of 8 July and left for Budapest, the capital of Hungary, aboard a special plane to continue his European trip.

On his flight to Hungary, Jiang Zemin sent a message to Finnish President Martti Ahtisaari to express his thanks for the warm hospitality during his stay in Finland.

In his cable, he said, "During my visit, I have extensively exchanged opinions with Your Excellency and other leaders of our country on developing Sino-Finnish friendly relations into the 21st century as well as on international issues of common concern. We have further strengthened mutual understanding and friendship. I am very pleased with the visit, which was fruitful. Through this visit, I become more convinced that Sino-Finnish cooperation, which is of great potential, has a bright future. The Chinese Government and people are willing to work together with the Finnish Government and people to promote Sino-Finnish ties to an even higher level."

During his four-day visit, President Jiang Zemin and President Martti Ahtisaari held talks twice. President Jiang Zemin also met with Finnish Prime Minister Paavo Lipponen and Parliament Speaker Riita Uosukainen. China and Finland also signed an "Exchange of Notes on the Mutual Establishment of Consular Posts in China and Finland," a "Memorandum of Understanding Between China and Finland on Cooperation in Environmental Protection," and six economic and trade contacts.

On the afternoon of 8 July, President Martti Ahtisaari held a farewell ceremony for President Jiang Zemin at his summer residence in Naantali city, Turku-Pori Province.

Seeing President Jiang Zemin off at the airport were (Yalkanen), director of the Protocol Department of the Finnish Foreign Ministry; Ristimaki, Finnish Ambassador to China; and Zheng Jinjiong, Chinese ambassador to Finland.

President Jiang Zemin's wife, Wang Yeping, and Jiang Zemin's entourage, including Vice Premier and Foreign Minister Qian Qichen, Special Assistant Zeng Qinghong, and Minister of Foreign Trade and Economic Cooperation Wu Yi, also left Helsinki aboard the same plane.

Visit Called 'Great Success'

OW0907030395 Beijing XINHUA in English
0246 GMT 9 Jul 95

[FBIS Transcribed Text] Helsinki, July 8 (XINHUA) — The historic visit by Chinese President Jiang Zemin to Finland has been a great success, said Finnish President Martti Ahtisaari today.

Jiang's visit to Finland and his talks with Finnish leaders have been fruitful, Ahtisaari told a news conference at the presidential palace after Jiang concluded his visit to the country today.

He said he has held frank talks with Jiang on all issues and he is satisfied with the results of the visit.

The Chinese president has left for Hungary, the second leg of his three-nation Europe tour which also includes Germany.

Monaco's Prince Meets Beijing Consul General

OW0807035095 Beijing XINHUA in English
0315 GMT 8 Jul 95

[FBIS Transcribed Text] Paris, July 7 (XINHUA) — Prince Rainier III of Monaco met with the first Chinese consul general to the country at his palace today.

In the meeting with Consul General Hou Guixin, Prince Rainier expressed his satisfaction over the establishment of consular relations between the two countries.

China and Monaco set up the consular ties on January 16.

East Europe

Albanian Foreign Minister Views Bilateral Ties

OW0807180795 Beijing XINHUA Domestic Service
in Chinese 1017 GMT 6 Jul 95

[By reporter Wang Hongqi (3769 3163 6386)]

[FBIS Translated Text] Tirana, 5 Jul (XINHUA) — Albanian Foreign Minister Alfred Serreqi pointed out on 5 July that the development of bilateral relations between Albania and China should be based on a new principle of building market economies.

Serreqi made the above remark when meeting with a Chinese journalists delegation led by Su Shuangbi, deputy editor-in-chief of QIUSHI.

He said, "Albania and China are in a period of profound changes. Besides the principle of mutual respect and noninterference in each other's internal affairs, a new principle of building democracy and a legal system and market economy should also be used as the basis for developing bilateral relations." He said emphatically: The distance between Albania and China and the countries' sizes are no obstacles to the development of bilateral relations.

Butak [name as transliterated], chairman of the News and Cultural Permanent Committee of the Albanian People's Assembly, met the Chinese journalists delegation on 4 July.

The Chinese journalists delegation arrived in Albania on 30 June for a visit at the invitation of the Albanian News Workers' Association. The delegation will depart Albania for Poland on 7 July.

Jiang Zemin Arrives in Hungary

Begins Official Visit

OW0907024495 Beijing XINHUA Domestic Service
in Chinese 1557 GMT 8 Jul 95

[By reporters Hou Fengqin (0186 7685 5464), Wei Guoqiang (7614 0948 1730) and Lu Jin (4151 0513)]

[FBIS Translated Text] 8 Jul, Budapest (XINHUA) — Chinese State President Jiang Zemin arrived in Budapest this afternoon to start his four-day state visit to Hungary at the invitation of Hungarian President Goncz Arpad. In his written statement delivered at the airport, Jiang Zemin emphatically pointed out that there is profound friendship between the people of China and Hungary, that there exists no conflict of fundamental interests between the two countries, and that the two countries share common ground in seeking peace and development as well as in safeguarding national independence and sovereignty.

President Jiang Zemin's visit to Hungary is a return visit following Hungarian President Goncz Arpad's visit to China in September last year, and is also the first visit by a Chinese head of state since the two countries established diplomatic relations in 1949.

In Budapest, it was a sunny day today with flowers in full bloom and the national flags of China and Hungary fluttering in the wind at the airport. At 5 p.m. local time, President Jiang Zemin's special plane began its descent into the No. 1 airport of the capital. President Jiang Zemin and his wife, Wang Yeping, descended the

stairs and were greeted by (Suniuge Karoi), state secretary of the Hungarian Presidential Office; (Soz-Karoi Katila), political secretary of the Hungarian Ministry of Industry and Trade; and Hungarian Ambassador to China Meszaros Klara. They warmly greeted and shook hands with President Jiang Zemin near the ramp, and exchanged greetings with Chinese guests. Later, President Jiang Zemin and his wife left the airport by car for the state guest house.

In his written statement at the airport, President Jiang Zemin pointed out: "Under a new international situation, the continuous development of friendly relations and cooperation between the two countries is the common desire of the two countries, and this is not only in the fundamental interests of the two peoples but is conducive to world peace and stability."

President Jiang Zemin said, during his visit, he will exchange opinions in depth with President Goncz Arpad and other Hungarian leaders on further developing bilateral relations and international issues of common concern. President Jiang Zemin was convinced that his visit would certainly promote a wholly, sustained, stable and deep-going development of friendship and cooperation based on the Five Principles for Peaceful Coexistence and mutual benefits.

Qian Qichen, vice premier of the State Council and concurrently minister of Foreign Affairs, and his wife Zhou Hanqiong; Special Assistant Zeng Qinghong; Minister of Foreign Trade and Economic Cooperation Wu Yi; Vice Minister in charge of State Planning Commission Zeng Peiyan, Vice Minister of Foreign Affairs Jiang Enzhu; and special assistants Teng Wensheng and You Xigui [3945 0823 6311] arrived on the same plane. Chinese Ambassador to Hungary Chen Zhiliu, who has been in Budapest, is among those accompanying President Jiang Zemin during the visit.

President Jiang Zemin arrived in Budapest after concluding his state visit to Finland.

Issues Statement

OW0807172095 Beijing XINHUA in English
1711 GMT 8 Jul 95

[FBIS Transcribed Text] Budapest, July 8 (XINHUA) — Chinese President Jiang Zemin said today he hopes the comprehensive and stable friendship and cooperation between China and Hungary will be further developed.

Jiang, the first Chinese head of state to visit Hungary, said in a written statement upon his arrival here that he is looking forward to meetings with President Goncz

Arpad and other Hungarian leaders on bilateral relations and international issues of common concern.

The recent years have witnessed new progresses in Sino-Hungarian relations under a new international situation, Jiang said.

To further develop the friendly relations and cooperation between China and Hungary is the common desire of the two countries, Jiang said, adding that this is not only in the fundamental interests of the two peoples but is conducive to world peace and stability.

There exist no conflicts of fundamental interests between China and Hungary, the president noted, saying that the two countries share common grounds in seeking peace and development as well as in safeguarding national independence and sovereignty.

Describing President Goncz's visit to China last year as successful, Jiang said he is now in this country to increase mutual understanding and cooperation.

Hungary is the second leg of Jiang's three-nation Europe tour which will also take him to Germany. Jiang just ended his visit to Finland, where he stayed for four days.

Goncz is scheduled to preside over a ceremony and have talks with Jiang Monday. Jiang will also have meetings with Hungary's prime minister and parliament leader.

Meets Prime Minister

OWI007111195 Beijing XINHUA in English
1038 GMT 10 Jul 95

[FBIS Transcribed Text] Budapest, July 10 (XINHUA) — Chinese President Jiang Zemin met here today with Hungarian Prime Minister Gyula Horn, exchanging views with him on furthering bilateral relations.

Jiang, arriving here Saturday [8 July] for a state visit, said the Sino-Hungarian ties have been growing continuously under the new international situation.

Sino-Hungarian relations can be developed healthily as long as the two countries cherish sincere wishes and abide by the principles of mutual respect, seeking common grounds while reserving differences, equality, mutual benefit and common development, Jiang said.

Horn described Jiang's visit, the first by a Chinese head of state to this country, as a major event in bilateral relations.

He said Hungarian-Chinese ties are "good" and there is immense potential for Hungary-China cooperation.

The Hungarian government will take "positive measures" to promote the economic cooperation between

the two countries, Horn was quoted by a Chinese Foreign Ministry official as saying.

Jiang and Horn briefed each other on the political and economic situation in their own countries.

Jiang noted that China respects the choice of Hungarian people in handling their own affairs.

Due to the differences in national conditions, Jiang said, one country can not simply copy the experiences and models of reforms of other countries, Jiang said.

However, he went on to point out that the increase of knowledge about each other through the exchanges of visits between leaders of the two countries will benefit the economic development of both countries as well as their cooperation.

Echoing Jiang's remarks, Horn said that the goals of both China and Hungary are to become advanced countries in spite of the differences in their practice and policies, which are the internal affairs of the respective countries.

In this aspect, he said, Hungary and China abide by the principle of mutual respect.

The prime minister spoke highly of the achievements China has made in its economic constructions, saying Hungary is willing to strengthen the exchanges and cooperation with China.

During the meeting, Jiang conveyed the regards and an invitation to visit China from Chinese Premier Li Peng to Horn. Horn accepted the invitation.

Chinese Vice-premier and Foreign Minister Qian Qichen was present at the meeting.

Jiang is currently on a three-nation tour in Europe. He had visited Finland before coming here and will leave for Stuttgart tomorrow.

Romanian Prime Minister Concludes Official Visit

OWI0707133695 Beijing XINHUA in English
1312 GMT 7 Jul 95

[FBIS Transcribed Text] Shanghai, July 7 (XINHUA) — Romanian Prime Minister Nicolae Vacaroiu and his party left here for home this evening after concluding an official visit to China.

During Vacaroiu's three-day stay in this China's largest economic center, the prime minister toured Pudong New Area and acquainted himself with more knowledge about China's financial reform. He also briefed Shanghai business circles on Romania's economic situation and investment circumstances.

Mayor Xu Kuangdi of Shanghai met with Vacaroiu and hosted a banquet in his honor.

The Romanian visitors were seen off at the airport by Xu Wenbo, Chairman of the Chinese Government

Reception Committee and Vice-Minister of Culture, and deputy mayor Sha Lin of Shanghai.

Political & Social**Deng Xiaoping's Health Said 'Improved'**

HK1007065995 Hong Kong LIEN HO PAO
in Chinese 10 Jul 95 p 7

["Beijing Observation" column by Yun Shang-feng (0061 0006 7364): "Deng Xiaoping's Health Begins To Pick Up"]

[FBIS Translated Text] There have been fewer reports about Deng Xiaoping's health recently. It seems that people hardly remember him, or that his influence on Beijing's political situation has waned almost to extinction.

According to a source close to Deng, Deng's health has, in fact, improved. It is estimated that he will spend the summer in Beijing this year, and will enjoy his 91st birthday.

According to personnel attending him, Deng leads a regular life. After getting up in the morning, he sits on a special sofa for a while. If the weather is cool and refreshing, he will go in his wheelchair to have a look at the courtyard. With the assistance of his attendants, he also will stand up, but not for too long.

It is reported that Deng still thinks very clearly [si wei ren geng hen qing chu 1835 4850 0095 1771 3237 2806]. He is a little deaf. He speaks very slowly [jiang hua fei chang huan man 6199 6114 7236 1603 4883 1976], but he can still speak his mind [dan zu yi biao da si xiang 0141 6398 5903 6671 1835 1927]. His attendants usually read to him some newspaper passages or documents, and he seldom voices his opinions.

Deng had a mild stroke [qing du zhong feng 6535 1653 0022 7364] in 1992, so to ensure his health the most important task for his family members and the medical team is to prevent his having another stroke or falling.

Although Deng has a basic understanding of the current situation [jin guan deng xiaoping dui dang qian di ju shi ji ben liao jie 4147 4619 6772 1420 1627 1417 3981 0467 4104 1444 0528 1015 2609 0055 6043], members of the Deng Xiaoping Office try their best not to excite [ci ji 0459 3423] him by telling him what has happened only after a problem has been settled. Examples are the case of Wang Baosen, who committed suicide, and the case of Chen Xitong, who resigned and was subject to investigations.

It has been learned that Jiang Zemin, general secretary of the CPC Central Committee, is much concerned about Deng's health and about his family members. He often calls the Deng Xiaoping Office and Deng's children to extend regards.

Taken together, Deng has successfully retired backstage from the political scene, reducing his weight in the balance of power and minimizing his involvement in political affairs.

Therefore, the leader known as the core of the third generation of the CPC's central leadership announced that the handover of power has been completed. The leaders of the third generation are capable of administering the country effectively.

However, because Deng has played a special role and still enjoys a special status in China's current political life, he remains a political symbol as long as he is alive, though he is not involved in specific matters. Again, in case of a special political change, Deng himself or other people taking advantage of his influence will still play an important role.

For the leadership of the third generation, as long as Deng is alive his influence is mixed: While it can promote political stability and unity, it also can cause political instability; while it can keep the leadership in power, it also can bring ruin to the leadership.

Jiang Zemin To 'Unflaggingly' Fight Corruption

OW0707144395 Beijing XINHUA in English
1431 GMT 7 Jul 95

[FBIS Transcribed Text] Helsinki, July 7 (XINHUA) — Chinese President Jiang Zemin has vowed to carry the current campaign against corruption in China through to the end.

In an interview with reporters from two Finnish TV stations Thursday, Jiang said that corruption is a historic phenomenon that exists in different countries, in different periods and to differing extents.

Jiang, who is also general-secretary of the Communist Party of China (CPC), said the CPC's attitude toward this matter is to fight against corruption "perseveringly and unflaggingly."

Particularly in such important cities as Beijing, "resolute and decisive measures" must be taken once any problems are detected, Jiang noted.

On July 4, the day before Jiang departed for Helsinki, the CPC announced its decision to conduct an investigation of former Beijing Municipal Party Secretary Chen Xitong, and Beijing's party committee announced its decision to revoke the party membership of former vice mayor of Beijing Wang Baosen, who killed himself earlier this year.

Those who have been corrupted, no matter who they may be or what position they may hold, must be punished to the full extent of the law, Jiang said.

"We are determined to carry the struggle of anti-corruption through to the end," Jiang emphasized.

However, Jiang said that one cannot negate what is good simply because of the Beijing incident, just as it would be wrong to say that all party officials are corrupt simply because of isolated instances.

Qiao Shi Inspects Hunan Industry in Jun

OW0707101395 Beijing XINHUA Domestic Service
in Chinese 1159 GMT 21 Jun 95

[By reporter Cao Guanghui (2580 0342 2547)]

[FBIS Translated Excerpt] Changsha, 21 Jun (XINHUA) — Inspecting work in Hunan Province recently, Qiao Shi, member of the CPC Central Committee Political Bureau Standing Committee and chairman of the National People's Congress [NPC] Standing Committee, stressed that it is necessary to seize the current opportunity to effectively strengthen agricultural and rural work, to improve the quality of village and township enterprises, to deepen reform of state-owned enterprises, to actively develop industries using high and new technologies, and to accelerate economic development by relying on scientific and technological advances.

Accompanied by Wang Maolin, secretary of the Hunan party committee; Yang Zhengwu, deputy secretary of the Hunan party committee and governor; Qiong Qingchuan, member of the NPC Standing Committee; and Liu Fusheng, chairman of the provincial People's Congress Standing Committee, Qiao Shi inspected the vegetable basket project of Lituo Township on the outskirts of Changsha, the Changshanyuan Flood Control Project in Changsha, the Yuanda Air Conditioner Manufacturing Company Limited in Changsha, and the Hunan Hybrid Rice Research Center. [passage omitted]

During the inspection, Qiao Shi stressed: As a whole, the current domestic and international situations are very favorable to China's reform, opening up to the outside world, and the modernization drive. We must seize this rare historic opportunity to accelerate economic construction. He said: In recent years, Hunan has scored new achievements in developing its economy. The provincial party committee's guiding principles for future work are clear, and the measures it is going to adopt are feasible. Of course, there will be difficulties, but Hunan's prospects are good so long as party organizations at all levels in Hunan closely rely on the masses, proceed from realities, boldly advance in a pioneering spirit, and conscientiously resolve contradictions and difficulties while advancing. [passage omitted]

During the inspection, Qiao Shi was very pleased to see that agricultural crops, such as early rice, are growing well and rural areas are filled with vitality. He said: China is a vast country with a huge population. At no time should we waver about making agriculture our economy's foundation. We must always stick to this idea and should never slacken our efforts in developing agriculture. Hunan is a big farming province that has made great contributions to the country since New China's founding. As agriculture is most important in the province's economic work, we should concentrate on agricultural production. We must draw up a long-term plan for building water conservation projects and persevere in the plan year after year to maintain Hunan's superiority in agricultural development. We must pay particular attention to harnessing Dongting Lake to fundamentally rid Hunan of hidden dangers such as flooding and drought. We should use arable land rationally, improve farmland capital construction, and actively popularize advanced farming technologies to bring about high and stable yields. While inspecting the Lituo Township vegetable production base, Qiao Shi pointed out: In urban and suburban areas, it is necessary to carry out well the vegetable basket projects to ensure supply to urban people. At the same time, efforts should be made to promote direct marketing by reducing intermediate links as much as possible. This will not only increase peasants' income, but also reduce urban people's burdens.

Talking about the development of village and township enterprises, Qiao Shi said: In recent years, Hunan has achieved good results in developing village and township enterprises. The provincial party committee and government have said that while assisting localities with poorer foundations in starting and developing village and township enterprises, they will strive to improve quality and assist localities with sound foundations to expand and upgrade their operations. This accords with reality. [passage omitted]

On how to improve state-owned enterprises, Qiao Shi pointed out: To achieve this goal, it is necessary to deepen reform. In reforming state-owned enterprises, we must be bolder, advance at a faster speed, and increase the intensity of reform on the basis of carrying out experiments and summing up experiences. [passage omitted]

Talking about the work of people's congresses, Qiao Shi stressed that it is necessary to give play to the role of people's congresses at all levels. He said: A very important part of the work of people's congresses is to safeguard and develop people's democracy, maintain close ties with the masses, and bring their initiative into play. Local party committees should show concern for and

attach importance to the work of people's congresses and help them solve problems by proceeding from realities. Local people's congresses, under the leadership of local party committees, should exercise their duties as prescribed by law; strengthen the legal system; exercise supervision; and promote the development of reform, opening up to the outside world, and the modernization drive.

During the inspection, Qiao Shi also made suggestions on building a socialist spiritual civilization, maintaining social stability, and strengthening party building.

Zhu Rongji Tries To Moderate Agriculture Dispute

HK0907081895 Hong Kong SOUTH CHINA SUNDAY MORNING POST in English 9 Jul 95 p 6

[By Willy Wo-Lap Lam]

[FBIS Transcribed Text] Party leaders are still divided over agriculture policy despite increasing fears of rural unrest in the wake of unprecedented natural disasters.

Powerful patriarch Song Ping, who wants more collectivisation in farming policy, is at odds with moderate and liberal leaders including Zhu Rongji and Tian Jiyuan.

"We must ceaselessly develop and strengthen the collective economy," said Mr Song during a tour of the provinces of Hebei, Shanxi and Shaanxi. "We must go down the road of collective prosperity".

Mr Song, a former Politburo Standing Committee member, praised recollectivisation in several Shanxi villages for developing the economy.

A leader of the powerful "Gansu Faction," he underscored the importance of narrowing the gap between rich and poor areas.

"We must as fast as possible change the face of poverty in backward areas. We must let the people have a decent living standard," the Chinese media yesterday quoted him as saying.

He paid particular attention to strengthening rural party cells and ideological training, saying the party's "combativeness and cohesiveness" must be boosted.

The party's liberal wing, however, wants to preserve the family-based household contract responsibility system.

The vice-chairman of the National People's Congress, Tian Jiyun, is among leaders defending the right of individual farming households to "get rich ahead of the others".

In a speech last week, Vice-Premier Zhu Rongji tried to strike a balance between the conservative and liberal

viewpoints by arguing that only an adequate level of "economy-of-scale management" should be introduced.

Mr Zhu pointed out large-scale collectivisation such as the people's communes, collective farms or farms based on the shareholding system were not "advantageous towards raising the production enthusiasm of farmers."

He reiterated that the policy on the household contract system must remain stable.

Chinese sources said the leadership believed "rural unrest" would be the most destabilising factor in post-Deng Xiaoping politics.

Hu Jintao Inspects Inner Mongolia, Ningxia

OW0807131795 Beijing XINHUA Domestic Service in Chinese 0719 GMT 25 Jun 95

[By reporters Tang Ji (3282 6060) and Tian Shubin (3944 5289 2430)]

[FBIS Translated Text] Yinchuan, 25 Jun (XINHUA) — During an inspection tour of Inner Mongolia and Ningxia, Hu Jintao, Standing Committee member of the Political Bureau and member of the Secretariat of the CPC Central Committee, emphasized that upholding party leadership and strengthening party building is the fundamental political and organizational guarantee for deepening reform, promoting development, maintaining stability, and accomplishing the gigantic goal of modernization. At present, it is necessary to continue to thoroughly implement the decision adopted by the 4th Plenary Session of the 14th CPC Central Committee in all fields; persist in strengthening the building of the party ideologically and organizationally and in its working style; and work hard to translate the Central Committee's guidelines into concrete actions in the light of local realities.

From 15 to 24 June, Comrade Hu Jintao inspected a number of villages and enterprises in Ih Ju League, Bayannur League, and Wuhai City in Inner Mongolia; and Shizuishan City, Yinnan Prefecture, and Yinchuan City in Ningxia.

In Hongqi Village, Ulantuke Township, Linhe City in Inner Mongolia, Comrade Hu Jintao heard a briefing by the secretary of the village party branch about how prosperous (science and technology) households, party-member households, and impoverished households had worked together to bring prosperity to the entire village. Recognizing their achievements, Hu Jintao said: Promoting party building in conjunction with economic development and developing the economy while building up the party is one of the important guiding principles for party building. Grassroots units have accumulated much useful experience in this respect, which

should be summarized and popularized. Beiqu Village, Zengtang Township, Yongning County in Ningxia originally had a backward party branch. In 1993 a 32-year-old Communist Party member Xu Zhiwu assumed the post of village party branch secretary. Since then, he has successfully led villagers in wiping out backwardness, thereby enabling the village to join the rank of advanced party branches. Upon learning of the changes in the village, Hu Jintao said: Great attention should be paid to strengthening the building of rural grass-roots organizations, with an emphasis on the building of their leading groups and on ways to develop the rural economy. The key to this issue lies in selecting competent party branch secretaries. Grass-roots leading bodies should be filled with people who have political integrity and good knowledge of management, are honest and upright, and enjoy support from the masses, so they can lead the broad masses in utilizing local resources to accelerate the pace of casting off poverty and becoming well off. During the inspection tour, Hu Jintao also paid close attention to the work of recruiting young party members, and urging county and township party committees to make recruitment work a major task in building up grass-roots rural party organizations.

In Ningxia, Hu Jintao went deep into the drought-stricken Yaoshan Township in Tongxin County, and visited Hui farmers Ma Junyi and Ma Junzhen in their cave dwellings, inquiring about the drought conditions and disaster victims' daily life. Upon learning about the shortage of drinking water, he instructed local officials accompanying him on the tour to do everything possible to deliver water to disaster-stricken households and to help them tide over the predicament. He also called for further efforts to assist the poor and to work out long-range development plans for dry mountainous areas so as to bring about a marked improvement in their production and living conditions through consistent efforts over a period of time.

After listening to briefings by the Inner Mongolian and Ningxia Autonomous Regional CPC Committees, Hu Jintao spoke. He said: Party committees and governments at various levels should focus their attention on economic construction, and should further emancipate their minds so as to acquire a new concept in keeping with the socialist market economy. They should steadfastly deepen reform — first and foremost the reform of state enterprises. They should also invigorate the state sector of the economy so it can more effectively play its role as the mainstay of the national economy. They should fully utilize local resources, and enhance confidence and the sense of urgency to ensure sustained, rapid, and healthy economic development. Discussing the need to continue to maintain social stability, Hu Jin-

tao said: The foundation of stability lies in the masses. Therefore, we must trust and rely on the masses in deepening reform, promoting development, or maintaining stability. We should always be concerned with the masses' well-being, should properly handle the relationship of interests between various circles in line with the principle of overall consideration, should effectively solve problems related to the masses' vital interests, and should unite the broad masses of people to rally more closely around the party and the government. Hu Jintao urged Inner Mongolia and Ningxia to further accelerate the work related to nationalities and religious affairs and strengthen the unity of nationalities.

Emphasizing the importance of building up party organizations, leading bodies in particular, Hu Jintao pointed out: While building up the party ideologically and in its working style, we should continue to pay close attention to the important issue of building up the party organizationally, and building up leading bodies in particular. In a sense, the level of building up leading bodies reflects the level of party building as a whole. Discussing the work of training and selecting outstanding young cadres, he said: We should comprehensively adhere to the principle of making the ranks of cadres more revolutionary, younger in average age, better educated, and more professionally competent, as well as ensure both political integrity and ability, by truly promoting outstanding young cadres who have a strong party spirit, resolutely implement the party's line, principles, and policies, perform their jobs brilliantly, and enjoy support from the masses to leading bodies at all levels in a timely manner. We should promote cadres who are not only young and professionally competent, but also have a good working style. Young cadres should devote themselves wholeheartedly to the cause of the party, and should proceed in everything from the interests of the people. They should never desire enjoyment, fame, or material gain. Those who are prone to boasting and exaggeration, resort to deception, display ostentation, or fish for fame and compliments should never be promoted to important posts, but should be educated through serious criticism.

Inner Mongolia Autonomous Regional Party Committee Secretary Liu Mingzu and Autonomous Regional Chairman Wuliji, Ningxia Hui Autonomous Regional Party Committee Secretary Huang Huang, and Autonomous Regional Chairman Bai Lichen accompanied Comrade Hu Jintao on separate occasions during the inspection.

Jiang Chunyun Offers Flood Guidance in Jiangxi

OW0807144695 Beijing XINHUA in English
1419 GMT 8 Jul 95

[FBIS Transcribed Text] Nanchang, July 8 (XINHUA)
— Chinese Vice-Premier Jiang Chunyun, who is over-

seeing flood relief work in Jiangxi Province, asked local authorities to do their best to ensure the life of the flood-affected people and prevent any occurrence of epidemic diseases.

Jiangxi, in east China, has been hit by continuous torrential rains since June which caused severe flooding and huge economic losses.

The vice-premier, entrusted by General Secretary Jiang Zemin and Premier Li Peng, made a special trip to the flood-stricken province to show solicitude for the flood victims, on behalf of the Communist Party Central Committee and the State Council.

Jiang Chunyun asked the local officials and people to overcome difficulties caused by the floods and resume production as soon as possible.

He ensured the victims that the government will guarantee their food and clothing and asked the local officials to do a good job in supplying relief goods and materials.

Moreover, Jiang urged the medical personnel to lose no time in providing medical treatment for the victims and try anything possible to avoid occurrence of epidemic diseases.

The vice-premier said that initial victory has been won in fighting against the floods, but the task remains arduous. On no account should the people relax their guard and vigilance.

As for salvation work, the vice-premier called the local people to go all out to plant late rice, develop industrial and side-line products so as to effectively make up for the losses caused by the floods.

'Very Serious Flooding' Hits Lower Chang Jiang

*OW0707140895 Beijing XINHUA in English
1353 GMT 7 Jul 95*

[FBIS Transcribed Text] Beijing, July 7 (XINHUA) — The lower reaches of China's Chang Jiang River have been hit by very serious flooding, the second time the country has seen something this bad since 1949.

The water levels in Poyang Lake in central China's Jiangxi Province have hit record highs.

According to sources at the State's General Headquarters of Flood and Drought Control, because of receding floodwaters in Poyang and Dongting lakes, the country's two largest, and the influx of water from other tributaries, the channel in the middle and lower reaches of the Chang Jiang is threatened by serious flooding.

Starting June 22, the warning level in some sections of the middle and lower reaches of the Chang Jiang

had been breached and the water level has been rising steadily since then.

According to the No. 1 circular on the flood situation issued by the headquarters today, presently the water level in the main channel of the Yangtze, as well as in Taihu Lake, has been rising steadily, and all provinces and cities along the Chang Jiang River are going all out to fight the flooding.

Civilians, Soldiers Combat Zhejiang Floods

*OW0707152995 Beijing XINHUA in English
1507 GMT 7 Jul 95*

[FBIS Transcribed Text] Hangzhou, July 7 (XINHUA) — The Hangjiahu Plain in east China's Zhejiang Province is being hit by record flooding, and more than 400,000 civilians and soldiers are providing disaster relief.

The plain was hit by continuous rains from July 5 to 6, followed by severe flooding. Early today, water levels in the cities of Jiaxing and Huzhou were above the danger mark, even topping record highs in some areas.

Statistics have shown that waters inundated more than 200,000 ha of farmland, flooded most towns, forced tens of thousands of businesses to close, and cut transportation on rivers.

Local government and officials are organizing huge teams to deal with the flooding.

In Jiaxing, more than 200,000 persons, including over 10,000 government officials, are moving victims and belongings, and using more than 9,200 pumps.

In Huzhou, more than 100,000 people are on patrol and working on dams and dikes in a move to ensure the safety of towns and townships near Taihu Lake.

In the provincial capital of Hangzhou, over 10,000 vegetable growers are working the fields in rains, to guarantee normal supplies of vegetables.

Work groups have been sent by the provincial government to the hardest-hit areas, and relief funds topping three million yuan are being sent to the areas.

Zhao Ziyang Attends Funeral of Zhou Jiannan

HK0807060695 Hong Kong SOUTH CHINA MORNING POST in English 8 Jul 95 p 10

[By Dede Nickerson in Beijing]

[FBIS Transcribed Text] Disgraced former premier Zhao Ziyang attended the funeral of former colleague Zhou Jiannan at the Babaoshan Cemetery outside Beijing on Thursday.

Others who attended said Mr Zhao, who has been seen in public rarely since his fall from grace in 1989, had aged dramatically and his hair was now completely white.

"Zhao entered through a door reserved for senior, ranking officials, paid his respects and left quickly," said a source.

"The fact he was allowed to attend at all shows that he may be gaining greater privilege to make public appearances," said a Western diplomat.

But Mr Zhao's name was notably absent from the list of leaders who visited Zhou when he was in hospital or "offered their condolences to his relatives in various ways."

According to the obituary released by XINHUA (the NEW CHINA NEWS AGENCY) yesterday, those VIPs included Mr Zhao's successor as party general secretary, Jiang Zemin, Premier Li Peng, Chairman of National People's Congress Qiao Shi and the Shanghai Party Secretary Huang Ju.

"Zhou Jiannan is viewed as a reformist who contributed a great deal to China's economic development in the areas of machine building, foreign trade and economics. He had virtually no enemies," a government official who worked with him said.

Zhou held several high level positions including minister of machine industry, adviser to the Central Finance and Economic Leading Group, deputy director of the State Import and Export Commission and deputy director of the State Foreign Investment Management Commission, which later became the Ministry of Foreign Trade and Economic Cooperation.

"Both Jiang Zemin and Li Peng served under Zhou at one point. He really discovered many of these people," a source said.

Zhou's two sons, Zhou Xiaochuan and Zhou Xiaohe, hold prominent positions as, respectively, vice-chairman of the Bank of China and chairman of China Venturetech.

Zhou died at 78 on June 28 in Beijing of an unspecified illness.

Wang Baosen 'Brought Down by His Wife'

HK0807083595 Hong Kong SOUTH CHINA MORNING POST in English 8 Jul 95 p 1

[By Jasper Becker in Beijing]

[FBIS Transcribed Text] One of the luxury villas former Deputy Beijing Mayor Wang Baosen is accused of

building for himself lies outside Beijing in the beautiful Fragrant Hills.

Local residents are convinced Wang spent about 140 million yuan (HK\$130 million) on the home.

"He spent at least 140 million, perhaps more," a guard at the entrance said.

"The rooms are laid with imported marble floors and expensive foreign wood. In the bathrooms each tap cost 10,000 yuan."

Wang, who died in an apparent suicide in April, had been condemned by the Chinese authorities for embezzling nearly US\$38 million (HK\$293.85 million).

While the villa looks luxurious by Beijing standards, it does not appear to be a Beverly Hills-style palace. However, residents said the grounds of the villa complex cover 15 mu or about one hectare. The entrance is graced by a large fountain set in a pool about 27 metres in circumference.

Behind the pool is a large building of white stone. Guards said there were other buildings and gardens graced with pavilions on the grounds.

Construction began in 1993 and was stopped three months ago when Wang died on a remote hillside to the north. Guards were posted by the local government.

Residents said the land was given free by the local government, but Wang spent his own money building the house.

Wang had access to large quantities of money after the Beijing Government opened the capital to large-scale property development in 1993. He was in charge of the municipal Planning Commission, which authorised more than 100 projects including shopping and office complexes, and luxury villa parks.

Sources close to the Beijing Government claimed Wang was brought down by his wife, who went to the party's Central Disciplinary Commission with evidence of his corruption.

"Only someone close to him would have dared to do that or have the evidence. She became jealous of his mistress and decided to take revenge," sources said.

Wang, 60, had reportedly made a Beijing Television presenter his mistress. The sources said he was persuaded to lend or give her 40 million yuan to start her own business.

Wang's wife was allegedly furious when she discovered this. Wang offered her a lump sum of 650,000 yuan.

This was not enough and in her anger she found sufficient documents to incriminate him and placed them before the party's watchdog.

Wang was eventually called for questioning when an investigation was launched. Soon after the summons, he apparently took his own life.

The results of the three-month investigation by the Central Disciplinary Committee, announced on Tuesday, provided few details of his crimes.

Chinese media said he diverted more than 100 million yuan and over US\$25 million of public funds for use by his younger brother, his mistress and others for ventures which lost more than US\$13 million.

'Conservative' To Head Religious Affairs Bureau

HK0807083295 Hong Kong SOUTH CHINA MORNING POST in English 8 Jul 95 p 8

[By Daniel Kwan]

[FBIS Transcribed Text] A conservative cadre has been appointed the new head of the State Council's Religious Affairs Bureau, it was confirmed yesterday.

Ye Xiaowen, former head of Section 2 of the United Front Department, has replaced Zhang Shengzuo as bureau chief.

Mr Zhang, 63, is now in charge of the bureau's Religious Culture Publishing House, established early this year to be responsible for the publication of Bibles and other devotional materials.

The decision was apparently made in mid-June but had not been officially announced. A bureau official confirmed the reshuffle yesterday but said Mr Zhang was transferred because he was over the "retirement age."

"Mr Ye is the director now. But he is out for a meeting," the official said.

Mr Ye's appointment came as a disappointment as he was not well-liked by the religious fraternity in China.

Sources said although Mr Ye had served in the reformist bastion — the Communist Party Youth League — he had no formal religious training or overseas experience.

They said Mr Ye's nomination came as long ago as the end of last year but his appointment was postponed because of opposition within the bureau. It was said at least eight of Mr Ye's colleagues had written letters to the central government to express their disapproval.

Mr Ye has a strong reputation as an atheist. After his promotion to the United Front Department, he once

told his colleagues that "we still have to continue our struggle against religions."

In an essay he wrote in 1994, Mr Ye criticised Western countries — in particular the United States — for antagonising China.

His essay, published in a 1994 research journal by Nanjing University, said the US wanted to "stir up waves by exaggerating the internal conflicts among our people."

Mr Ye wrote that because of their jealousy over China's economic success, Western forces had resorted to ethnic and religious issues in their attacks on China.

"They are envious of China's rapid growth and the fact that it is getting stronger every day," he wrote.

"They found they could not resort to economic sanctions because that would hurt both sides.

"Political action would not work because they fear there will be refugees if China becomes unstable, and they could not accommodate that.

"Therefore, they put out their 'magic weapons' to stir up ethnic and religious conflicts."

Formulation of Ninth Five-Year Plan Viewed

OW0807112495 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1009 GMT 3 Jul 95

[By reporter Su Yiping (5685 0001 1627): "China's Economic Commentary: China Begins To Compile This Century's Last Five-Year Plan"]

[FBIS Translated Text] Hong Kong, 3 Jul (ZHONGGUO TONGXUN SHE) — An informed source in Beijing revealed that formulation of the Ninth Five-Year Plan is one of China's important tasks for this year. Compilation of a mid- and long-term development plan for the 1996-2010 period has also begun. Chinese high-level officials feel that formulation of the Ninth Five-Year Plan and compilation of the 15-year mid- and long-term development plan are unlike previous ones in that this is a trans-century task, which one only meets once in a hundred years. Judging from information disclosed lately by senior party officials, government officials, and authoritative economic experts, it is believed that a framework for the Ninth Five-Year Plan has taken shape. Looking ahead, we can probably sum up the development tasks in the Ninth Five-Year Plan in the following eight areas.

First, general demand for the development goal of the Ninth Five-Year Plan is to realize the second-step strategic goal of national economic development — namely, to enable the people to lead a comparatively

well-off life and to realize the goal of about \$1,200 GNP per person based on comparative 1980 prices. (\$800 - \$1,000 was proposed in 1980).

Second, give priority in economic work to raising the overall quality and efficiency of the national economy and set the regulation and control goal of economic growth at 8-9 percent. Special emphasis will be placed on science and technology because they are the primary productive force; and more investments will be made in science and technology. The degree to which science and technology contribute to economic growth will be constantly raised. A fundamental change will be gradually realized in economic growth where quantitative growth will be replaced by qualitative growth and in the type of economy where an extensive economy, which stresses speed, will be supplanted by an intensive economy, which emphasizes efficiency.

Third, greatly readjust and optimize the industrial structure; enhance basic industry; and enliven the machinery, electronics, petrochemical, car, and building industries, making them the four pillar industries of the national economy. At the same time, readjust the ten major relations in the ratio of economic development. By the year 2000, the ratio of primary, secondary, and tertiary industry will be readjusted to 18.2, 52, and 29.8 percent, respectively. The ratio of industry and agriculture will be readjusted to 84 and 16 percent. The heavy and light industry ratio will be maintained at about one to one.

Fourth, the portion of investment for basic construction that can be used for new projects is only about 55 percent; the rest will go for further improving the planned projects of the Eighth Five-Year Plan. Within five years, the amount of accumulated social investment in fixed assets will reach 15 trillion yuan, and the average annual investment growth rate will be 28 percent. By the year 2000, the amount of social investment will be 3.9 trillion yuan, and the investment growth rate will be 38.4 percent.

Fifth, development and opening up of China's central and west regions will be placed in an important strategic position. The state will gradually increase financial resources and policy financing for the improvement of the investment environment in the central and west regions, so as to alleviate the trend of an ever-widening economic gap between the east and west regions.

Sixth, annual agricultural growth will be about 4 percent. The goals for China's total agricultural production by the year 2,000 are: 500 million tonnes of grain; 5.25 million tonnes of cotton; and 48.5 million tonnes of meat products. Farmers' per capita net income will reach 1,200 yuan based on 1990 constant prices.

Seventh, basically attain the goal of transiting from a planned economy to a market economy and of initially establishing a socialist market economic system. To achieve that end, China will, on the basis of continuing with the efforts to strengthen macroeconomic regulation and control, reform the state-owned enterprises with the goal of establishing a modern enterprise system, reform the social protection system and its supplementary measures, foster a market system, and change the government functions.

Eighth, actively take part in international competition and international technology cooperation. Total import and export amounts will reach about \$400 billion by 2,000. China will continue to promote a high-level, broad-scope, and in-depth opening up. More foreign capital and foreign resources will be utilized to strengthen agriculture, alleviate the "bottlenecks" in infrastructure facilities and basic industries, and rejuvenate the pillar industries. Foreign investors will be equally treated like Chinese nationals.

People in economic circles hold that the period for execution of the Ninth Five-Year Plan will be in an important period of China's promoting reform, opening up, and modernization. The period will also see the change of the term of the CPC Central Committee in 1997, the change of the terms of the National People's Congress and the leading bodies of the State Council in 1998, and the return to China of Hong Kong and Macao in 1997 and 1999, respectively. Therefore, the importance of the formulation of the Ninth Five-Year Plan, the last five-year plan of this century, is self-evident. The Ninth Five-Year Plan will become a new program for the general plan to administer the nation by China's third generation of leadership, with Jiang Zemin as the core.

Decree Requires Food Labeling Beginning 1 Oct

OW0907071295 Beijing XINHUA in English
0639 GMT 9 Jul 95

[FBIS Transcribed Text] Beijing, July 9 (XINHUA) — All packaged foods sold in Chinese markets have to be properly labelled starting October 1, according to a decree recently issued by the State Bureau of Technological Supervision.

The ruling says that all packaged foods sold in the market must bear the name of the food, the net contents, the names and addresses of producers, manufacture and expiration dates, and ingredients.

All packaged foods must also have a label in-Chinese, whether they are domestic or imported, according to the decree.

Packaged foods without proper labelling will be banned from production or marketing, the decree says, and violators will face a penalty of confiscation, fines, or even criminal charges.

Increased Funds for Education in Poor Areas

OW0707162095 Beijing XINHUA in English
1558 GMT 7 Jul 95

[FBIS Transcribed Text] Xining, July 7 (XINHUA) — China will allocate an accumulative total of 5 to 6 billion yuan (595 million to 714 million US dollars) in compulsory education funds for poverty-stricken areas by the year 2000.

Starting this year, the government will dramatically increase the compulsory education fund in poverty-stricken areas and a special fund of 200 million yuan will be allocated by October this year, according to source with the State Education Commission.

The officials, who were attending a conference on World Bank-backed projects in Xining, capital city of northwest China's Qinghai Province, said that by the year 2000, nine-year compulsory education will cover 85 per cent of China's population, and will need a total of about 22.2 billion yuan (2.64 billion US dollars).

They said that this capital will come from the central compulsory education fund specially allocated for poverty-stricken areas, from compulsory education funds from various provinces, and from the World Bank.

The central compulsory education fund will give priority to spreading nine-year compulsory education to poverty-stricken areas, the officials noted.

They added that because of the unevenness of economic development nationwide, the State Education Commission has made an overall plan for spreading compulsory education by considering various local situations.

Under the plan, developed provinces and regions will require more than 96 per cent of their population to have compulsory education by 1996, while in border areas and provinces and regions inhabited by minorities, some 66 per cent of the population should be covered by nine-year compulsory education by 2000.

In this way, by the year 2000, China will meet its general objective of providing 85 per cent of the total population with nine-year compulsory education.

Comparison to Editorial on CPC Founding

HK0407030095

Beijing RENMIN RIBAO in Chinese on 30 June publishes on page one a 1,600-character editorial enti-

tled "Bringing Benefits to the People Is a Communist's Bounden Duty — A Congratulatory Message to '1 July'" published in the 30 June China DAILY REPORT pages 11-12.

This version has been compared with the XINHUA Domestic version and found to be identical except for the following variation:

Page 11, column two, fourth full paragraph, first sentence reads ...[FBIS Translated Text] On 1 July... (noting deletion of dateline and introductory paragraph).

Comparison to Editorial on Physical Training

HK0507024495

Beijing RENMIN RIBAO in Chinese on 29 June publishes on page one a 1,100-character editorial titled "A Major Program for Raising the Quality of the Whole People — On the Occasion of the Promulgation of the 'Outline on the National Physical Training Program' for Implementation" published in the 5 July China DAILY REPORT on pages 36-37.

This version has been compared with the XINHUA Domestic version and found to be identical except for the following variation:

Page 36, column two, third full paragraph, first sentence reads: ...[FBIS Translated Text] With the State... (noting deletion of dateline and introductory paragraph).

Science & Technology

Development of EIM-601 Switchboard Recounted

HK1007081595 Beijing RENMIN RIBAO in Chinese
20 Jun 95 p 1

[By GUANGMING RIBAO reporter Qu Guanjie (2575 0385 2638), XINHUA reporter Zou Qingli (6760 3237 7787), and RENMIN RIBAO reporter Wei Yaling (7614 0068 3781); "The Road of Blazing New Trails — Report on Development of EIM-601 Large Program-Controlled Switchboards"]

[FBIS Translated Text] On 8 April 1995, an EIM-601 large bureau-use digital program-controlled switchboard (called the 601 switchboard for short), which was jointly developed by the No. 54 Institute of the Ministry of Electronics Industry and the Central China Science and Engineering University, came into being. At 1430, Professor Song Zhiyuan, director of the assessment committee and former vice minister of posts and telecommunications, announced: "Widely applicable, advanced in design concept, perfect in performance, safe, and reliable, the 601 switchboard is up to the world standards of the early 1990s."

"It is rare in the history of world telecommunications that a large-volume program-controlled switchboard with advanced performance has been developed in such a short time!" gasped admiring foreign experts at the meeting.

The switchboard is really worthy of the name! With the successful development of the 601 switchboard, the general objective of "two highs and one low," i.e. high performance, high reliability, and low cost, put forward by Electronics Industry Minister Hu Qili, has been achieved, and a new milestone has been erected in the field of China's program-controlled switchboards.

From pregnancy to birth, the No. 601 switchboard is an embodiment of the painstaking labor of many people. It has opened up a road of blazing new trails in forging ahead.

Resolute Policy Decision

Since the birth of the world's first digital program-controlled switchboard in France in 1970, the technology has become quite a fad all over the globe. Owing to China's long-standing seclusion from the outside world, the crossbar switchboards widely used in its telecommunications network still marched with difficulty and met with impediments, even when the train of China's reform and opening up went into motion and ran at high speed. Our weak and scattered national telecommunications industry was unable to reverse this situation rapidly. The urgent need to develop the economy forced the competent departments to opt for opening up the market.

Thereupon, foreign program-controlled switchboards immediately pushed deep into our country. Within several years, eight standard program-controlled switchboards from seven countries had rapidly occupied the Chinese market, yet this crucial technology — which we wanted most fervently to get — was unobtainable. With some worries our telecommunications experts warned: "Without our own large program-controlled switchboards, it will be impossible to ensure the safety of China's telecommunications." The monopoly of foreign switchboards on the Chinese market resulted in huge amounts of our foreign exchange and renminbi lining the pockets of foreign bosses, while our own young telecommunications industry was placed in increasingly straitened circumstances.

"Get into action at once and develop our own large program-controlled switchboards." In April 1993, the newly established Ministry of Electronics Industry made a resolute policy decision.

A Brand-New Mechanism

The program-controlled switchboard is a high-tech product incorporating telecommunications, computer, and microelectronics technologies. Developing this product required many high-quality personnel and a large sum of money. Moreover, as time was pressing, there were numerous difficulties on the road of advance.

Where was the way out? The Ministry of Electronics Industry had a well thought-out plan. As the electronics industry had a strong scientific research and development force, a key issue was how to effectively organize funds and technical forces. They created a new mechanism and followed a new path, integrating "production, learning, research, and application."

With what idea was the new mechanism of "four integrations" to be achieved? In light of the previous experiences and lessons, and in keeping with the need to establish a modern enterprise system, the Ministry of Electronics Industry put forward the principle of "government guidance, voluntary combination, joint risk-taking, benefit sharing, and each giving scope to its advantage," and made it clear that in developing the 601 switchboard, we should gear it to the market and develop it into an industry. On the most crucial issue of property rights and benefit, the investing party (enterprises) and the research parties (research institute and university) made a bold attempt following full consultations: From the very beginning, the project should have well-defined property rights, as well as well-defined rights, responsibilities, and interests. The property rights share of the research and development units accounts for 36 percent of all property rights, while the remaining 64 percent are to be distributed according to investment amounts. As investors, enterprises have property rights and the right to put it into production.

The new practice of taking property rights as a link and deciding property right ratios through consultation enormously aroused the enthusiasm of enterprises, the research institute, and the university. Many units, including the Guangzhou Electronics Science and Technology Park Development Corporation, the No. 524 Factory of the Ministry of Post and Telecommunications, the Shijiazhuang New High-Tech Development Zone, the Telephone Equipment Factory of the Hebei Provincial Bureau of Post and Telecommunications, and the Anshan Radio and Television Equipment Group Company, joined in and defined the goal of setting up a 601 switchboard group under a shareholding system that transcended regions, departments, and trades.

The combination of production, learning, research, and application not only ensured funding, organization, and technology for research and development, but also

enabled the enterprises responsible for putting it into production to be involved from the very outset. This made it possible to conduct research and development, make production preparations simultaneously, and win valuable time to transfer research achievements and occupy the market.

Tackling Difficult Scientific Problems

The program-controlled switchboard is structurally huge and complicated. An enormous amount of work was required to develop its software, which is one of the most complicated software projects in the contemporary world. It has taken some countries seven or eight years to develop similar products. The Ministry of Electronics Industry demanded that "the program-controlled switchboard be developed in two years."

Was it possible to fulfill such an arduous task in so short a time?

"Yes. If we fail, I will be ready to work as a gatekeeper." Yang Zuochang, a 30-year-old senior engineer at the No. 54 Institute, took command at the last moment, and Yang Xuejun, a 28-year-old associate professor at the Central China University of Science and Technology, served as deputy general architect. The average age of the 120 people forming the contingent to tackle key scientific problems was less than 25 years. Most of them were new Master's degree and Bachelor's degree holders, and some were senior undergraduate students.

To finish the task on schedule, this group of spirited young people set the deadline, then rationally divided up the parts to be completed by designated people at set times. No one was allowed to finish his or her allocated task beyond the set time limits.

Over the past two years, the workshops have been brightly lit until midnight every day, and sometimes until daylight. Some people simply ate and lived in the workshops. Even during the summer, when it was hot for days on end, they still held on at their posts. Some people suffered from shock as a result. At the stage of general on-line testing [zong lian shi 4920 5114 6107], Yang Zuochang and Yang Xuejun continued working for a dozen days or so, sleeping an average of 2-3 hours a day. In those two years, those joining in the work of tackling key scientific problems gave up all holidays.

They succeeded at last. On the basis of making extensive comparisons and taking as reference various program-controlled switchboard technology at home and abroad, they attained the objective of "two highs and one low," and provided the 601 switchboard with a relatively strong competitive edge.

As the 601 switchboard has widely adopted the computer software technology of the 1990s, as well as the latest achievements in the integrated circuit and digital telecommunications spheres, the advanced nature of its technology is assured. All the hardware used in the switchboard are general-purpose components and parts, and there are only 14 circuit boards in the whole system, the fewest so far in known bureau-use switchboards. This not only made it easier to mass-produce the switchboard, but also substantially reduced product cost.

Judging from the national conditions in China, the 601 switchboard has a broad scope of application, and can be used in city, agricultural, and long-distance telephone bureaus. Moreover, they have high-pressure resistance and lightning-protection characteristics, and can work for a long time without breakdown. As the system is also equipped with 64-level operational codes, the safety and reliability of telephone communications can be guaranteed.

Taking into consideration the development of telecommunications technology and the need for serialized products, the 601 switchboard also leaves hardware and software interfaces for moving exchanges [yi dong jiao huan 4448 0520 0074 2255] and broadband comprehensive business digital network (ATM) [preceding term published in Latin alphabet] in the future.

Moving On

The successful development of the 601 switchboard is having a major impact on the telecommunications industry circles at home and abroad. Many enterprises have asked to become shareholders and to join in the production through investment, and some foreign companies also have expressed their cooperation intentions.

No sooner had they taken off their armor than they embarked on the road again. The No. 7 signalling system currently used in the digital telecommunications network soon will be developed. With the support of the post and telecommunications bureaus in Hebei and in Xingtai City, the tests of the 6,000-line 601 switchboard are being conducted smoothly in Henan's Nanhe County, and the machine is running well. Major progress also has been made in tackling key scientific problems in ATM.

The excellent market prospects have inspired people tremendously. Many post and telecommunications enterprises and telecommunications companies [lian tong gong shi 5114 6639 0361 0674] have expressed support for the 601 switchboards, and some have short-listed the switchboard for their use. A large industrial group that concentrates on producing 601 switchboards and that transcends different localities and trades — the

Electronics Information Machines Company Limited — has been set up. All the investing industrial units are preparing for production and are conducting technological transformation. By the end of this year, they are expected to mass produce 100,000-line switchboards.

A relevant leader of the State Council recently issued a clear written instruction: "It is necessary to vigorously support EIM-601 and its development at the next step." He also instructed the ministries and commissions concerned to "put forward views on supporting the growth of the national industry."

Bringing with it the hope of reinvigorating the national telecommunications industry, the 601 switchboard has embarked on the road of industrialization. We wish it plain sailing!

Switchboards' Capabilities Viewed

OW1007032295 Beijing XINHUA in English
0309 GMT 10 Jul 95

[FBIS Transcribed Text] Beijing, July 10 (XINHUA) — Chinese scientists have succeeded in a new technology which is able to greatly expand the capacity of telephone switchboards without the need to increase hardware.

The SP30 super digital-controlled switchboards, which are designed and believed to be perfectly suitable for the 1990s, have recently passed a technical appraisal by the Ministry of Post and Telecommunications (MPT), the Overseas Edition of the PEOPLE'S DAILY reported today.

The switchboards, developed by the Xian Datang Telephone Corp., a joint venture of two MPT-affiliated research institutes and the American ITTI company, were highly praised by experts attending the appraisal.

In addition to such functions as IN platform, the capacity of the switchboard, adopting open bus structure and advanced software, can be easily expanded. The system may encompass a maximum capacity of 400,000 telephones lines without changing the hardware. It is also easier for centralized maintenance since both telephone exchange and optical transmission are internally integrated.

Experts said that the switchboards can be installed independently where access to subscribers in residential blocks, factories and colleges is easier.

Equipped with interfaces for microcellular base station, the switchboards make the telecommunications among wireless users and between wireless and wire users more convenient, the paper said.

It is said that both power consumption and the size of the switchboards have been reduced due to the adoption of

sophisticated integrated circuits. A unit with a capacity of 10,000 lines is only about two-thirds of the size of a similar imported product.

The upgrading of SP30 to ATM (asynchronous transmission mode) of the next generation will also be easier, the paper said.

Besides, the system has also paved the way for wide bandwidth information transmission, laying a solid foundation for the construction of the much publicized "Information superhighway."

Earlier, a SP30 road-side optical fiber LAN experimental system, which has a capacity of 10,000 lines, has been put into operation in Baoji City of Shaanxi Province, northwest China, according to the report.

Commentator Hails Development

HK1007082695 Beijing RENMIN RIBAO in Chinese
20 Jun 95 p 1

[Commentator's article: "Blazing New Trails Is the Soul of a Nation's Progress"]

[FBIS Translated Text] It is believed that after reading the newsletter entitled "The Road of Blazing New Trails," no one who is concerned about the development of national industry will remain calm.

The successful development of the 601 switchboards, together with other outstanding home-made models — such as the HJD-04 and the C and C [preceding terms published in Latin alphabet] switchboards — has shaped a "program-controlled switchboards phenomenon" in China's telecommunications circles. It amply proves that with the rapid development of reform and opening up in the past dozen years or so, our national telecommunications industry has established a fairly strong contingent of scientific research personnel to tackle key scientific problems. It has tremendous potential for independent development, and is quite capable of developing its ability to the full.

The successful development of the 601 switchboards tells us that the idea that only imported goods with original packing are reliable is an outdated one, and that our nation's products can likewise fill foreigners with admiration. After accumulating solid power, we have no reason whatsoever to unduly belittle ourselves because China is wholly capable of going neck-and-neck with advanced international standards in certain fields of science and high technology.

However, we should also note that owing to a certain degree of dependence on some imported technologies that we have not absorbed or assimilated, the work of substituting imported technology with domestically

produced items has not been entirely satisfactory. This has placed tremendous pressure on the development of national industry.

At a recent national conference on science and technology, General Secretary Jiang Zemin pointed out: "Blazing new trails is the soul of progress of a nation, and an inexhaustible motive force for the country's prosperity and development. If we fail to develop our ability to independently blaze new trails, but rely exclusively on imported technology, it will always be difficult to rid ourselves of technological backwardness. It is also difficult for a nation without the ability to blaze new trails to stand erect in the family of advanced nations. As a big independent socialist state, we must hold our own destiny in terms of science and technology." He thus pointed the way clearly for us to extricate ourselves from this difficult situation. By gearing itself to the market and industry, the Ministry of Electronics Industry has independently developed large-volume digital program-controlled switchboards to a contemporary standard, precisely demonstrating such strong awareness of innovation — holding our own destiny.

We will never exclude advanced foreign technology, but historical experience proves that no country in the world can rely simply on importation and imitation to attain progress in science and technology and in the economy. Blazing new trails is the source of life for the development of national industry. The innovation in terms of technology, organization, and the mechanism for using people, as demonstrated in the course of developing the 601 switchboard, has far more meaning than "technological innovation," which is a specialized concept in industrial circles. They have formed a flight of stairs through which our national industry can move upward, and have instilled new vitality and hope into the modernization of our nation.

Book Views Major S&T Decisions for 21st Century

OW1007025095 Beijing XINHUA Domestic Service
in Chinese 0908 GMT 26 Jun 95

[By reporter Yang Ning (2799 1337)]

[FBIS Translated Text] Beijing, 26 Jun (XINHUA) — The book "Rejuvenating the Nation by Promoting Scientific Education: China's Major Strategic Decisions for Entering the 21st Century" was published and distributed today by the CPC Central Party School Publishing House. The book was written under the auspices of the State Commission for Science and Technology to support the implementation of the "Decision of the CPC Central Committee and State Council on Accelerating Scientific and Technological Progress" and the

guidelines set by the national science and technology conference.

The book contains the "Decision" and speeches by Jiang Zemin, Li Peng, Zhu Rongji, and other party and state leaders, at the national science and technology conference. It provides a detailed account of the background of the issuance of the "Decision" and of the holding of the national science and technology conference, and discusses the necessity and urgency of rejuvenating the nation by promoting scientific education. In addition, it gives an account of the results and experience China has gained over the last decade and more in employing sciences and technology to invigorate the economy, as well as the country's potential in this regard. It also explains the state's main strategies, policies, and measures on rejuvenating the nation by promoting scientific education.

Military & Public Security

PLA Issues New Rules on Grass-Roots Cadres

HK1007054095 Beijing JIEFANGJUN BAO
in Chinese 5 May 95 p 1

[By Zhong Ganyan (6988 3927 6056): "With Approval of the Central Military Commission, General Political Department Issues Circular on Strengthening and Improving Selection, Promotion, and Appointment of Grass-Roots Cadres"]

[FBIS Translated Text] In accordance with the spirit of the Fourth Plenary Session of the 14th CPC Central Committee and with a view to meeting the requirements of the effort to strengthen the building of the Army's grass-roots organizations, as per approval of the Central Military Commission, the People's Liberation Army's [PLA] General Political Department recently issued a "Circular on Strengthening and Improving the Selection, Promotion, and Appointment of Grass-Roots Cadres."

The selection, promotion, and appointment of grass-roots cadres are key to the building of grass-roots organizations. In order to strengthen and improve this work, the "circular" provides a clearer definition of the criteria and basic procedures for the selection, promotion, and appointment of grass-roots cadres; sets strict rules on the assessment of cadres, the practice of following the mass line, and collective deliberation on the appointment of cadres by party committees; and recommends concrete measures for the integration of the appointment and training of cadres and the determined redressing of unhealthy tendencies in the personnel system.

The "circular" provides that in selecting, promoting, and appointing grass-roots cadres, it is imperative to adhere

to the criterion of having both integrity and ability, and in the context of the new historical conditions and the reality of the building of grass-roots organizations, to select and promote those grass-roots cadres who listen to the party, are capable, and have a good style of work. In assessing the integrity and ability of a cadre, the main criterion is his work performance. It is necessary to hold on to the principle of listening to the opinions of both leaders and the masses, and to assess and understand cadres in a well-rounded way.

The "circular" contains the following provisions on the basic procedure for the selection, promotion, and appointment of grass-roots cadres: 1) Recommendation by grass-roots party organizations. When a vacancy appears in the grass-roots organization and a cadre should be promoted to fill this vacancy, the battalion party committee should work out a list of recommended candidates in accordance with the conditions, quota, and scope for the selection, and on the basis of soliciting the viewpoints of party-branch members, cadres, soldiers with party membership, and mainstay soldiers of the companies to which the candidates belong. No cadre who does not have the trust of the majority of his unit may be listed as a recommended candidate. 2) Nomination by political organs. The political organs of regiments and divisions (or brigades) should assess the candidates on the preliminary selection list as a whole, and then examine them one-by-one, while referring to the opinions of the grass-roots party organizations, so as to produce a proposal for the reshuffling of cadres, selecting the more appropriate ones. Those cadres who have not been recommended by the grass-roots party organizations should not be included in the selection list for deliberations by the party committee. If the candidates have not been assessed over the past six months, they should be examined before they can be promoted. 3) Collective discussion and decision by party committees according to their terms of reference in personnel appointments and dismissals. When deciding on the appointment or removal of cadres, a party committee should have a quorum of two-thirds or more. Full deliberations should be conducted on the basis of democratic centralism. No individual should have the final say. When a party committee is deliberating the appointment of cadres, no extempore motion should be allowed, and the circulation of written approvals [chuan pi 0278 2106] is forbidden. No one may disclose any details of any discussion on the appointment of cadres.

In order to help grass-roots cadres accumulate experience, enhance their ability, and improve their quality, the "circular" points out that the provisions in the "Regulations on the Service of Active Officers" must be abided by strictly in the promotion of cadres. Promo-

tions should be made among those cadres who have held their positions for the minimum term required. The chief officers of companies that have displayed outstanding integrity and ability, made significant achievements, and been designated by army-level units as model grass-roots units, or those of award-winning advanced grass-roots units may be promoted earlier or beyond the immediate rank above, depending on the requirements of the circumstances. It is necessary to broaden the avenue for letting cadres work in grass-roots organizations and in higher-level organs alternately, which will contribute to the rounded training and growth of cadres. The alignment of training with appointment must be adhered to, and the selection and promotion of grass-roots cadres must be linked with the process of sending them to academies for training and with the job assignment upon their graduation. It is necessary to strengthen the management of cadres, and depending on the circumstances, to put on probation, demote, or take necessary disciplinary action against those cadres who give a poor accounting of themselves, are incompetent, or leave their posts without permission. Organs, interim institutions, and units outside the establishment at any level are forbidden to borrow grass-roots cadres at will.

The "circular" emphasizes the need to firmly redress unhealthy tendencies in the selection, promotion, and appointment of grass-roots cadres. The leading cadres at various levels must adhere to the principle of appointment by merit, and must refrain from judging candidates according to personal affinities and preferences. Instructing grass-roots organizations to put specific candidates on the preliminary selection list or imposing one's personal wishes on the cadre reshuffle proposal formulated by the political organ is not allowed. The political organs and cadre management departments of divisions (or brigades) and regiments must strictly uphold the discipline of cadre work so as "to be very impartial and upright, refuse to be taken in by fallacies, and not fear offending people." They should act as good advisors to the party committees, and those who have abandoned their principles should be called to account. The leadership organs at and above the army level must take substantial measures to improve their thinking and work style, go to the grass-roots organizations to understand their difficulties, strengthen guidance, handle matters impartially, and refrain from arbitrary inference in the selection and appointment of grass-roots cadres. The "circular" demands that units at the army, division (or brigade), and regiment levels clearly define spheres of responsibility; establish a responsibility system for the selection, promotion, and appointment of grass-roots cadres according to the terms of reference in cadre management; strengthen supervision and inspection; and en-

sure that all policies and regulations are implemented soundly.

PLA Schools To Teach Ideology, Morals

OW1007002695 Beijing XINHUA Domestic Service in Chinese 0838 GMT 28 Jun 95

[FBIS Translated Text] Beijing, 28 Jun (XINHUA) — With the approval of the General Staff Department and the General Political Department, all schools of the People's Liberation Army [PLA] will teach a unified subject on "revolutionary servicemen's ideological and moral cultivation" to implement the important instructions on strengthening ideological and political education issued by Jiang Zemin, chairman of the Central Military Commission, and to thoroughly educate military school students on patriotism and devotion, on a revolutionary outlook on life, on respecting cadres and cherishing soldiers, and in hard struggle.

According to the department concerned, the subject on "revolutionary servicemen's ideological and moral cultivation," with "education in four respects" as its basic contents, will focus on the objective of fostering a revolutionary outlook on life and guiding servicemen in conducting themselves correctly and becoming qualified armymen. Teaching the subject is an important, basic work in training politically qualified personnel as well as an important task in strengthening ideological and political education in military schools under the new situation. It meets the needs of long-term army building. The compilation of teaching materials for the subject has been completed.

Tianjin Executes Narcotics Traffickers

SK1007052995 Tianjin TIANJIN RIBAO in Chinese 23 Jun 95 p 5

[FBIS Translated Excerpt] According to law, on 22 June the Tianjin Municipal Intermediate People's Court finally sentenced Cai Yi and Wang Fenghu. They were sentenced to death for narcotics trafficking and deprived of their political rights for life. According to the order issued by the Supreme People's Court to execute the death penalty, the two convicts were escorted to the execution ground and shot to death. The convicts Zheng Mingyi, Zheng Mingjun, Han Juan, and Zhao Guoxian, who were involved in the same case, were sentenced respectively to the death penalty with probation, to lifelong imprisonment, or to imprisonment for a definite term. [passage omitted]

The case was first tried by the municipal intermediate people's court and was then tried by the municipal higher people's court. The Supreme People's Court

issued a ruling in the case and approved the verdicts. [passage omitted]

After the judgment, the responsible personnel of the municipal higher people's court stated that although narcotics trafficking cases are few, narcotics trafficking is seriously threatening the people's life and health and harming social security and stability. The people's courts will continuously and resolutely implement the decision made by the National People's Congress Standing Committee and will deal strict blows without leniency at narcotics criminals in line with the arrangements made by the municipal party committee to ban narcotics.

Shandong Deals 'Severe Blows' to Drug Abuse

SK1007033495 Jinan DAZHONG RIBAO in Chinese 27 Jun 95 p 1

[FBIS Translated Text] Over recent years, narcotics control organs and public security departments at all levels in the province have conscientiously performed their duties and adopted effective measures to deal severe blows to drug abuse.

Affected by the international tide of drug abuse, some localities in the province have witnessed some drug abuse cases over the past several years. Narcotics control leading organs and law enforcement departments at all levels have strengthened leadership over anti-drug work by resolutely implementing the principle on simultaneously banning drug trafficking, growing, and addiction, by blocking up the source and cutting the stream, by strictly enforcing laws, and by looking into both root causes and symptoms. Persisting in the principle of dealing blows to whatever is discovered, all levels of law enforcement departments have kept a close watch on the trends of drug abuse crimes and have organized forces in a timely manner to crack drug abuse cases and deal stern blows to related criminals. Since the beginning of last year, all levels of public security organs in the province have cracked some drug abuse cases one after another, seizing 20 grams of heroin, 12,500 grams of opium, and 1,750 pieces of dolantinum, as well as detaining a group of related criminals.

Wuhan Cracks Down on Drugs, Helps Addicts

OW0807010295 Beijing XINHUA Hong Kong Service in Chinese 0837 GMT 26 Jun 95

[By reporter Zhan Zhongde (6124 0112 1795), and correspondent Zheng Deliang (6774 1795 0081)]

[FBIS Translated Text] Wuhan, 26 Jun (XINHUA) — Wuhan has achieved remarkable success in cracking down on drugs and helping drug addicts stop using

them, thanks to the coordinated efforts of all the city's authorities and the masses' support for drug control.

Preliminary statistics show that, since January 1994, Wuhan has cracked 186 criminal cases involving narcotics; prosecuted 1,120 narcotics cases; seized 5,817 grams of heroin, 477 grams of opium, 56.7 kilograms of poppy capsules, and 656 grams of caffeine; and arrested 179 narcotics-related felons. After they were tried by the court of law, three of the felons were executed, and 45 have been sentenced to prison terms of five years or longer, and even life.

Cracking down on drug traffickers has been an important measure Wuhan has taken in recent years to enforce public safety and maintain public order. In addition to establish special organs for cracking down on narcotics

and helping drug addicts stop using them, the city's higher and lower authorities have coordinated their efforts and sought the support of the masses for drug control. Today, all districts and neighborhoods in the city have assigned full-time personnel to take charge of the project. All residential committees in the city have set up leading groups and assigned full-time personnel to work with law enforcement departments in cracking down on drugs and helping drug addicts give up their use.

While cracking down on drug traffickers, Wuhan has also made it a regular practice to educate the people in various ways on the dangers of drug use, and to help drug addicts stop using drugs by confining them until they give up the habit. This has effectively halted the spread of narcotics.

General**Li Peng Calls For Faster Enterprise Development**

OW0707151295 Beijing XINHUA in English
1441 GMT 7 Jul 95

[FBIS Transcribed Text] Beijing, July 7 (XINHUA) — Chinese Premier Li Peng said that township-run enterprises should give a boost to the export-oriented economy as well as exploring new and high-tech products, to improve China's competitiveness in the world market.

Li made the remarks last night while visiting the third import and export commodities fair of township-run businesses.

He said that township-run businesses have not only made farmers richer and helped absorb large numbers of surplus rural laborers, but have also boosted agricultural production by investing a lot in the sector.

The premier said that the vast central and western regions of the country are very rich in resources, and should be given priority in local economic development.

In the eastern part of China on the other hand, the premier said, township-run enterprises are becoming stronger and stronger economically. He urged them to develop faster through the use of advanced science and technology and production adjusted to fit market demand.

He called on local governments at various levels to give full support to township-run enterprises in the central and western regions in terms of capital, technology, and personnel, and to help them develop their economy by exploring resources and processing farm and side-line products.

Zhu Rongji Criticizes Newspaper Reports

HK1007022095 Hong Kong HSIN PAO (HONG KONG ECONOMIC JOURNAL) in Chinese 5 Jul 95
p 2

[Report by Liu Chin-tu (0491 6651 0956) from Beijing: "Zhu Rongji Criticizes Hong Kong Papers by Name, Saying He Is Still in Charge of People's Bank of China in His Capacity as Vice Premier"]

[FBIS Translated Text] While meeting with a delegation from the Hong Kong Securities and Futures Commission and the Futures Exchange yesterday, Chinese Vice Premier Zhu Rongji criticized MING PAO and other Hong Kong newspapers by name for their reports and commentaries on his quitting the post of governor of the People's Bank of China. He stressed that as vice premier, he still takes care of matters related to the bank,

and that the structural reform of China's banks will continue.

Zhu had 35-minute talks with the delegation in Zhongnanhai yesterday morning. At the outset, Zhu said he was not meeting the delegation as governor of the People's Bank of China, but rather as vice premier. Hong Kong papers have carried many conjectural reports on Dai Xianglong's succeeding him as governor of the People's Bank of China. MING PAO, in particular, featured the report across the top of the front page. Zhu added that he could say with certainty, however, that as vice premier, he still takes charge of important matters related to the bank.

He pointed out: While he was governor of the People's Bank of China, the structural reform of China's banks made much headway, including the passage of three important laws: the laws on the central bank, on commercial banks, and on negotiable instruments. The reform in this respect will continue. He also gave an account of China's economic reform.

When talking about the development of securities and futures business, Zhu explained the decision made last May to temporarily close the Shanghai national debt futures market. We had no alternative because greater trouble would have been caused if the market continued operation, he said.

During the meeting, Hong Kong Securities and Futures Commission Chairman Anthony Neoh mentioned a report carried by FORTUNE magazine not long ago entitled The Death of Hong Kong, which dealt with Hong Kong's 1997 prospects. He pointed out that the article would undermine outsiders' confidence in Hong Kong as an international financial center. He quoted Zhu as responding that the maintenance of Hong Kong as an international financial center is China's firm policy. The leadership unanimously agreed on this. China will take every measure necessary to attain this objective.

While meeting in March this year with a combined delegation from the Hong Kong Securities and Futures Commission, the Hong Kong United Stock Exchange, and the Futures Exchange, Zhu Rongji guaranteed that China will strive to maintain Hong Kong's status as an international financial center, adding that China will not build a domestic financial center to replace Hong Kong. When asked whether the delegation had again discussed with Zhu Hong Kong's status as an international financial center, or whether Zhu had come up with any specific suggestions, Anthony said Zhu had not mentioned any specific measures, but that he had mentioned his own idea of further issuing non-renminbi national debt in Hong Kong, including national debt in

Hong Kong dollars. They had not discussed the details, however.

Reporters of MING PAO, which was "criticized" by Zhu by name, were not allowed to enter the Great Hall of the People to cover the signing ceremony for the memorandum [memorandum on market supervision signed 4 July by the China Securities Regulatory Commission and the Hong Kong Securities and Futures Commission]. Together with other Hong Kong newspapers, MING BAO had applied to the Hong Kong Securities and Futures Commission and the Securities Commission of the State Council for permission to cover the ceremony, and the invitation cards also were given out in the name of the two bodies. However, the two bodies said they had not made a decision against MING PAO, which did not receive an invitation. According to a report, MING PAO had not submitted an application form to XINHUA's Hong Kong branch before the reporters left for Beijing, but quite a few other Hong Kong newspapers, which had not submitted application forms either, received invitations. Consequently, MING PAO's failure to get an invitation to cover the ceremony has become a topic of discussion among Hong Kong journalists.

Another Hong Kong newspaper that was denied entry into the Great Hall of the People was the newly published PING KUO JIH PAO [APPLE DAILY]. The newspaper's earlier application to cover the Beijing meeting of the Preliminary Working Committee was turned down as well.

Also present at yesterday's meeting were Chen Ziyiing, deputy director of the Hong Kong and Macao Affairs Office; Zhou Daoqiong, chairman of the State Council's Securities Commission; and many other members from the commission. A member of the Hong Kong delegation said after the meeting: Evidently Zhu Rongji was in a cheerful frame of mind, and he spoke with fervor. He talked about the difficulties in China's economic reform, the achievements made, the orientation of reform, and so on. He touched on various things, good and bad, concealing nothing. This was Zhu's second meeting with the delegation from the Hong Kong Securities and Futures Commission and the Futures Exchange within six months.

Minister on Rate of Return on Power Projects

HK0907022995 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English
8 Jul 95 p 3

[By Dusty Clayton]

[FBIS Transcribed Text] China's Minister of Electric Power yesterday steered clear of the controversy over rate of return on power projects, arguing that setting fair

prices for electricity would result in the highest profits for investors.

Minister Shi Dazhen refused to specify an optimal rate of return on power plant projects or to lay out a range of rates.

He said the ministry would not issue new preferential policies to attract investment, even though the central government offered explicit "encouragement" to the sector in a set of recent investment policy guidelines.

"At the beginning of the reform movement, it was made clear that the preferential policies enjoyed by so-called economic development zones and special economic zones would gradually be phased out," he said yesterday.

Mr Shi said the exact rate of return on a power project would depend on the cost of raising funds, various taxes and the electricity tariff.

"Foreign investors worry about rates of return, but from our point of view, the key is the price of the electricity," he said.

"If it is too high, then we can't sell it.

"The idea of a unified rate of return was created in Hong Kong.

"I'm not going to perpetuate it."

He criticised overseas financial groups which demanded a return of 20 percent or more on their investment for exaggerating the "so-called risks" of building power plants in China or other poor countries.

He said China was politically stable and was experiencing strong economic growth.

Mr Shi said China would decide this autumn whether or not to increase the price of electricity nationally.

He said it would depend mainly on China's ability to control inflation.

Since hitting a post-1949 high of 27 percent last October, consumer price inflation cooled to 20.3 percent in May.

Heavy flooding in southern China recently might jeopardise the nation's attempts to keep a lid on inflation by driving up food prices.

Some power companies are finding it difficult to handle the price caps.

New York-listed Shandong Huaneng Power Development has been trying for months without success to raise its electricity tariff.

Shandong International Power planned to list in Hong Kong last year but reports said the listing was delayed because the government denied approval of a tariff increase necessary to help the company meet a guaranteed rate of return of 15 percent.

Despite his refusal to budge on key issues for foreign investors, Mr Shi was confident China would continue to attract enough foreign funds to fulfil its ambitious expansion plans.

China Power International Holding Ltd, a new subsidiary of the ministry registered in Hong Kong, would help raise capital in international markets and invest in mainland power projects.

Mr Shi estimated that China would install another 70,000 to 80,000 megawatts of power by 2000, bringing the total capacity to 280,000 to 300,000 mW. He said China's existing capacity topped 200,000 mW in March.

Foreign investment, which reached US\$14 billion in 40,000 mW of installed power by the end of last year, would continue at that pace.

Overseas companies would contribute about 20 percent, or US\$20 billion, of investment up to 2000.

He said the ministry would focus on replacing old equipment, reducing pollution and building large-scale power plants in place of small ones.

The ministry aims to supply electricity to the 110 million peasants still without power by 2000.

Official on Growth of Auto-Electronics Industry

OW1007072995 Beijing XINHUA in English
0645 GMT 10 Jul 95

[FBIS Transcribed Text] Beijing, July 10 (XINHUA) — The production of electronic components of automobiles will be accelerated in the coming 15 years, in line with the growth of China's motor vehicle industry.

An Official with the Ministry of Electronics Industry said that the output value of the auto-electronics sector will reach 15 billion yuan by the end of this century, accounting for three percent of that for the whole electronics industry.

The value of electronic components in an automobile will rise to 1,000 yuan, comparing with the 300 yuan in 1988.

They will include electronic control systems, automatic gears, protection equipment, theft-proof and alarm systems, and waste gas treating devices.

The products will meet a quality standard for a safe run of at least 100,000 kilometers, he said.

To ensure the implementation of the plan as soon as possible, he said, several conglomerates will be approved to operate in the sector, and foreign investment and technology imports will be encouraged.

China To Unveil Auto Strategy at Beijing Expo

OW0907060695 Beijing XINHUA in English
0546 GMT 9 Jul 95

[FBIS Transcribed Text] Beijing, July 9 (XINHUA) — Leading automakers and components suppliers around the world have applied to participate in the Auto Parts World Development and China's Strategy Presentation, Seminars and Exhibition (Auto Parts PSE), to be held by the Ministry of Machinery Industry (MMI) in October in Beijing, today's China Daily reported.

The report quoted an MMI official as saying that the firms' registration confirms their interest in automotive components development and manufacturing in China, considered the world's largest untapped auto market since it has only 1.5 million sedans.

Auto parts PSE'95 aims to solicit advice and products to help the Chinese government forge a strategy for the next five years. It is expected to take a higher profile than the Family Car PSE the ministry held last year for a similar purpose, the official said.

He added, in comparison with Family Car PSE — attended by some 20 foreign companies — Auto Parts PSE'95 will feature more seminars, more projects proposed and discussed, and more companies chosen as participants.

Policies to encourage foreign investment and technology transfer in the components sector will also be announced at the exposition.

Many foreign automakers and auto parts manufacturers regard Auto Parts PSE as one of this year's major motor-related events.

China will reportedly set aside much more funds than before to beef up the components sector and to oil foreign cooperation in this field during the 1996-2000 period.

The portion of investment proposed by the ministry for the auto parts sector will be enlarged to 40 percent from the 20-percent figure set for the 1991-95 period. Drawn by the ministry, the ambitious program must be approved by the central government.

The official said the existing auto parts sector without major renovations would not be able to support the motor industry that is expected to supply hundreds of millions of Chinese families with economic, affordable and environment-friendly cars.

China last year began preliminary work to accelerate the industry's growth in anticipation of family car ownership around the year of 2010.

Other major measures to be taken during the Ninth Five-Year Plan period (1996-2000) include preparing preferential loans to develop and manufacture 25 key auto parts such as automatic transmission, suspension and air bags.

Latest government documents put restriction on foreign investment in manufacturing of electronic engine fuel injection systems.

The government will grant tax cuts to auto parts projects if they are listed in the state plan, and will give them priority when considering foreign investment. And those with investment of 24 million U.S. dollars or less will enjoy simplified approval procedures to expedite production.

In another development, the government has decided to support automakers and trading firms to run cooperative ventures to foster the domestic market, especially for the distribution of sedans.

The trading joint ventures will be run in line with international conventions and become integral part of the so-called "lean-production" that focuses efficiency and puts production strictly on the basis of diversifying market needs.

Statistics Bureau on Increased Industrial Output

OW1007091995 Beijing XINHUA in English
0808 GMT 10 Jul 95

[FBIS Transcribed Text] Beijing, July 10 (XINHUA) — China's industrial sector realized a total output value of 856.6 billion yuan during the first half of the year, a growth of 14 percent in real terms over the same period last year.

A report released today by the State Statistics Bureau said that although the growth rate is somewhat smaller than that of the corresponding period of last year, the industry maintains a strong momentum of growth.

The report said that the output value of heavy industry grew 10.5 percent over the same period last year. Light industry grew 18.8 percent during the first half of this year.

Meanwhile, the report said, the production of clothing and other Summer goods as well as endurable [as received] goods saw fast increases during the past six months.

Compared with the previous year, more fertilizers, pesticides and agricultural machinery were produced during the first half of the year, said the report.

Production of major energy and raw materials also grew steadily, contributing to a supply-demand balance, the report said.

The report said that the sales-production ratio for China's industry rose 1.86 percentage points over the same period last year. The ratio is now 94.59 percent.

Commission Issues Circular on Curbing House Prices

OW0807092995 Beijing XINHUA Domestic Service in Chinese 2133 GMT 23 Jun 95

[By reporter Li Anding (2621 1344 1353)]

[FBIS Translated Text] Beijing, 24 Jun (XINHUA) — To check the excessive price increases in commodity houses, the State Planning Commission recently issued the "Circular on Banning Indiscriminate Fees Collection From Real Estate-Developing Enterprises To Check the Irrational Price Rise of Commodity Houses."

It has been learned that in recent years some departments and units have indiscriminately imposed charges on real estate-developing enterprises, who subsequently passed them on to consumers. The excessive house price increases have aroused strong social reaction.

The circular stipulated that all fees imposed on real estate-developing enterprises should be debited as costs and price formation should be under central and provincial management after centralized examination and approval. Charged items and criteria involving administration should be examined and approved by departments in charge of commodity prices and finance departments at both the national and provincial levels, with important ones to be referred to the State Council for approval. Management procedures and criteria for fees involving operations should be formulated by departments in charge of commodity prices at and above the provincial level in cooperation with relevant departments.

The circular stressed that, other than those to be approved by the State Council, in principle, no new charges or revision of charges criteria will be introduced by both the state and the provinces on the construction of commodity houses this year.

Commission Issues Consultancy Development Strategy

OW0707094395 Beijing XINHUA in English
0841 GMT 7 Jul 95

[FBIS Transcribed Text] Beijing, July 7 (XINHUA) — China issued a document here today on the development of the country's technical consultancy industry.

According to the document, released by the State Science and Technology Commission (SSTC), governments at all levels should give adequate support and guidance, and promote the development of the consultancy industry in line with market mechanism and international practices.

Development of the consultancy industry requires government macro-control over the management of different trades, the document says.

The document adds that promotion of technical consultancy aims at enhancing the progress of democratic, scientific and institutionalized decision-making, thus pushing social and economic development.

The document promises to develop the consultancy market and formulate policies regulating the market.

Efforts must be made to try to establish a consultancy industry with Chinese characteristics by the year 2000, it says.

Duan Ruichun, director of the SSTC Department of Policy Regulation and System Reform, said the consultancy industry has been developing fast during the past decade, with about 40,000 institutes offering consultant services with employees totalling 80,000.

Total annual revenue has exceeded four billion yuan, the director said.

The SSTC last year approved Beijing, Tianjin, Shanghai and Jiangsu to be pilot areas experimenting with the development of consultancy.

Progress has been made in this respect in the four areas, which are economically developed and equipped with relatively advanced telecommunications facilities.

Vehicle Market During First Half Reported

OW1007022595 Beijing XINHUA in English
0215 GMT 10 Jul 95

[FBIS Transcribed Text] Beijing, July 10 (XINHUA) — Most of China's major automobile manufacturers enjoyed improved sales in the first half of this year, compared with the same period last year.

According to the latest edition of "China Automotive News", during the January-May period, the Beijing Jeep Cherokee Company sold more than 73,500 vehicles, up 31.3 percent, while Tianjin Charade sold over 57,300, up 25.5 percent, and Nanjing Automobile Factory sold 33,800-plus vehicles, an increase of 20.2 percent.

Statistics show that heavy trucks are still suffering from slow-sales, while those of light trucks and middle-size carriers are about average.

The prosperity in China's auto market in the first half of this year is due partly to the fact that Chinese officials have been ordered to change from imported cars to domestic ones.

Sales of the Jetta, a product of China's First Automotive Works (FAW) and the German Volkswagen Corporation, saw an incredible 169 percent-increase in the first four months over the same period last year.

Sales of other cars such as the Citroen Fukang were up by 56 percent, Audi, up by 21 percent, Santana and Charade, also enjoyed more-than-ten-percent increase.

It is estimated that China will produce a total of 1.5 million vehicles this year.

Paper Says Bankruptcy 'Postponed' in 1995

OW0707094795 Beijing XINHUA in English
0848 GMT 7 Jul 95

[FBIS Transcribed Text] Beijing, July 7 (XINHUA) — Bankruptcy will be postponed in this year's reform of State-owned enterprises. Instead, management reform and technological renovation will be stressed, the China Information News reported on Monday [3 July].

According to the State Commission for Restructuring the Economy, the conditions for widespread bankruptcy reform are not ripe because of the country's underdeveloped social welfare system and an imperfect bankruptcy law, the paper said.

The bankruptcy law, which was drafted under the old planned economy system, is outdated and not adapted to current reality, according to the commission.

Also, a great number of people suddenly becoming jobless will threaten the stability of society, it said.

The commission was also quoted as saying that because stability is the prerequisite for China's development, bankruptcy will have to proceed slowly and cautiously, and more efforts should be made in the areas of internal management and technology updating.

Greater efforts will be made on improving the efficiency of State-owned enterprises, the paper said.

Postal Route To Open Along Chang Jiang Waterway

OW0807125895 Beijing XINHUA in English
1232 GMT 8 Jul 95

[FBIS Transcribed Text] Beijing, July 8 (XINHUA) — A high-speed postal route will be opened along the Yangtze, the longest river in China.

The route's section between Chongqing, a large city in Sichuan, and Yichang near the giant Three Gorges Water Conservancy Project will be put in operation soon, according to the latest issue of the "People's Post and Telecommunications". It will be handled by the Chang Jiang Shipping Company.

Services will be open both for mail and passengers, according to the paper.

The Chang Jiang Shipping Company is jointly funded by local post and telecommunications bureaus along the river in Sichuan and Hubei Provinces.

The company has purchased two ships from Russia, which are now navigating between Chongqing and Wanxian County in the eastern part of Sichuan. Another tourist ship will soon be added and two more vessels are on order.

At present, the company is building a large postal transfer point and a wharf in Chongqing.

Road Transport Network 'Basically Completed'

OW1007064295 Beijing XINHUA in English
0619 GMT 10 Jul 95

[FBIS Transcribed Text] Hangzhou, July 10 (XINHUA) — China has basically completed a road transport network covering most of its cities, counties and townships, as a notable achievement through persistent efforts in the past dozen years.

In the meantime, businesses within the network handle passenger transport, freight shipping, vehicle repairing, cargo loading and other transport services.

Standard management is pursued and legal construction stepped up with regard to transport business operations.

As a result, in 1994, the number of China's transport vehicles on the road was up by eight million over the year of 1978, with passenger-handling volume shooting up 6.4 times and freight-handling volume up 2.4 times.

By the end of 1994, China set up 19,615 passenger transport stations and 3,569 freight-handling centers.

Hu Angang on Economic Stability Measures

HK0807064095 Beijing GUANGMING RIBAO
in Chinese 3 May 95 p 5

[Article by Hu Angang (5170 7254 6921): "How To Prevent and Avoid Economic Fluctuations Effectively"]

[FBIS Translated Text] The cyclic fluctuation of the economy is an important phenomenon in the process of economic development. It is manifested as a continuous cycle of economic contraction during the period of eco-

nomic expansion because of the constraints of resource supply or consumer demand and, during the period of economic contraction, economic re-expansion because of the abundance of resource supply or the stimulus of consumer demand. Compared with other countries around the world, China is among the fastest growing nations in economic terms and also one of the countries experiencing obvious economic fluctuations. They are two distinct features of China's present economic growth. Only by objectively acknowledging this fact, conscientiously analyzing the nature and crux of this phenomenon, and handling things in strict accordance with economic laws can we possibly prevent major fluctuations in our economy.

Stabilizing Agriculture Is the Basis on Which To Prevent Economic Fluctuations

Agriculture is the foundation of the national economy. The true meaning of this statement is that fluctuation in agriculture is the basis of any economic fluctuation and that the stability of agriculture is the basis of economic stability. To solve the "eating" problem in the most populous nation in the world has always been the number one priority of every government. The statement "no agriculture, no stability; no grain, no order" vividly illustrates that any fluctuation in agricultural and grain production would be the basis of instability in our economy and society. Compared with other countries, this special relationship between agricultural fluctuations and economic fluctuations in China is a result of the uniqueness of its national conditions.

Agriculture is the most fundamental, and the most vulnerable, sector of the national economy. It is also the most sensitive to any economic fluctuation. It is for the following reasons that agricultural fluctuations would affect the fluctuations of the entire national economy.

— The agricultural sector is the main supplier of the basic food for the broad ranks of urban and rural residents. The diet of China's population is predominantly vegetarian, and grain is the main source of food. Any decline in agricultural output, especially in the production of grain, would cause a short supply of agricultural and sideline products and, consequently, dramatic increases in the prices of such products. Food price hikes would in turn raise industrial labor costs, lead to higher prices of industrial products, and push up the overall price level. That is why any fluctuation in agricultural output would affect price fluctuation.

— The agricultural sector is the main supplier of raw materials for the consumer goods industry (i.e., light industry). Any drop in agricultural output would cause

a shortage of raw materials for light industry and increase the prices of raw materials for the production of agricultural products. Any fluctuation in agricultural output would directly affect fluctuations in the consumer goods industry and indirectly affect that in the output of the capital goods industry.

— The agricultural sector is the main supplier of export products. Any drop in agricultural output would affect the export volume of agricultural products and processed products and, in the meantime, increase the import volume of agricultural products. This is true, for example, of certain bulk farm produce such as grain, cotton, and oil-bearing crops. Any fluctuation in agriculture would directly affect fluctuations in export and indirectly affect those in import.

— The agricultural sector is the main sector of demand for industrial products. The agricultural population represents an overwhelming majority of the total population. It forms the biggest domestic market, incorporating both the market for means of production and the consumer goods market, and therefore constitutes the pre-conditions for development of the industrial sector. Any drop in agricultural output and the resultant decline in per-capita income of peasants would affect agriculture's volume of purchase of industrial products and cause its demand for industrial products to shrink. Therefore, any agricultural fluctuation would directly affect commercial fluctuations and indirectly affect those in industrial output.

— The agricultural sector is the sector with the highest ratio of population to labor. Any drop in agricultural output would make the "eating" problem more outstanding and cause economic and social instability, thus forcing the government to cut down investment in industry, which in turn would cause a decrease in fixed assets investment. Therefore, any fluctuation in agricultural output would directly affect the fluctuation in investment and indirectly affect the fluctuation in the industrial output.

The above indicates that in a big country like ours with a vast population, shortage of resources, and where modernization has yet to be realized, the results of agricultural harvests have a very significant impact on economic fluctuations, and the rate of agricultural growth conditions the GNP growth rate and industrial growth rate. Therefore, only by energetically developing agriculture and stabilizing the growth rate of grain production can we stabilize development of the entire national economy.

The Central Government Is the Stabilizer of Macroeconomy

Why is creating and maintaining a stable macroeconomic environment an important goal of our government? Why should the central government become a stabilizer of the macroeconomy? The reasons are as follows:

First of all, maintaining economic stability is the key to a smooth realization of economic takeoff in our country. As far as the evolution of economic growth in the recent past is concerned, since the 1980's, China has entered the period of economic takeoff, i.e., the phase of high-rate economic growth. To maintain this growth momentum over a long term, not a short term, would enable China to become one of the world's leading economic powerhouses. Economic stability means that the real GNP growth curve fluctuates within a rational range, with both absolute deviation and relative deviation reduced. That is why it is especially important to prevent "big tumbles" in both directions in the process of economic takeoff.

Second, a stable macroeconomic environment is one of the essential conditions for sustained economic growth. A relatively stable macroeconomic environment can boost the confidence of the Chinese people in the government and that of foreign investors in their China investment, which will help maintain a relatively high domestic savings rate or domestic investment rate. In the meantime, it can also help avoid harming the interests of all the people because of high inflation and, especially, the deterioration of income distribution and social turbulence caused by the interests of the low-income classes being harmed.

Third, a stable macroeconomic environment has a decisive impact on the success of the economic reform. The stability of commodity prices means stability of popular sentiment, balanced revenue and expenditure, and sufficient financial strength, creating the conditions for the promulgation of reform measures.

Last, a stable macroeconomic environment is of critical importance to maintaining the authority of the central government. Ours is a big country with a vast population, backward economy, and unbalanced development; it is now in a period of rapid economic and social change; its economic activities are becoming increasingly sophisticated; and all kinds of destabilizing factors are dramatically increasing. If the central government fails to reduce the factors contributing to economic instability in a conscious or purposeful way to redress the imbalance in development and, instead, blindly reinforces the destabilizing factors and aggravates the imbalance, it would be nothing short of weakening itself and pushing itself to the edge of danger.

Therefore, it can be concluded that from both a short-term and a long-term point of view, to maintain economic stability should always be one of the most important development goals of the central government.

To Achieve Sustained Growth Along With Economic Stability

As a developing socialist power, China should regard development as an eternal theme. Sustained, stable, and coordinated development is the most important summary of the history of economic development in our country for over four decades. It is also a guideline for the long-term development of our economy in the days to come. The stabilizing of the economy is the basic condition for achieving sustained, high-rate growth of the economy. But this does not mean that the economy can only grow in a level and smooth manner. It does mean, though, that severe economic recession and hyperinflation must be avoided.

The following are proposed objectives and policies regarding stabilizing the economy:

First, to stabilize economic growth. A rational range of economic growth rates should be maintained. If the real economic growth rate fluctuates within a range close to the buoyance [zeng zhang qu shi 1073 7022 6395 0528], we would consider the economic growth "rational" and "stable"; if, however, the real economic growth rate goes beyond this range, we would consider such economic growth irrational and "unstable."

Second, to stabilize commodity prices. Keeping the general price level basically stable is the core of the effort to stabilize the economy. Keeping commodity prices basically stable does not mean no price increases. It means that the inflation rate is kept within a relatively low range. When inflation is below 3 percent, we would consider the economy stable; when it exceeds 6 percent, we would consider the economy unstable; when it exceeds 10 percent, we would think China's economy has entered a period of high inflation and extreme instability of the economy.

Third, to maintain basic balance of revenue and expenditure. To maintain a basic balance between revenue and expenditure and cut the fiscal deficit is an important aspect of the effort to stabilize the economy. When the deficit is below 2 percent of revenue, we would think the revenue and expenditure are basically in balance.

Fourth, to maintain the development of industry and agriculture in appropriate proportion to each other. To stabilize agricultural production and maintain proportionate development of industry and agriculture is the basis for stabilizing the economy. In China, a ratio-

nal ratio between the agricultural growth rate and the industrial growth rate would be 1:2.0-2.5. If the ratio is smaller than this range, we would think agricultural growth is too slow.

Fifth, the scale of construction must match the national strength. Controlling the scale of capital construction and adjusting the industrial structure is an important part of the central government's role in macroeconomic regulation and control. As far as the input-output ratio is concerned, the investment growth rate should be equal to or lower than the output growth rate. If it is the other way round, the higher the output growth rate, the higher the input cost.

Zhao Haikuan on Controlling Inflation

HK0807064395 Beijing RENMIN RIBAO in Chinese
2 May 95 p 9

[Article by Zhao Haikuan (6392 3189 1401): "How To Understand and Manage Present Inflation"]

[FBIS Translated Excerpt] With regard to the present inflation in China, several issues need to be discussed.

How To Appraise the Present Inflation

Since 1979 China has been hit by inflation four times intermittently. Compared with the previous three times (the first time in 1980, the second in 1985, and the third from 1988 to 1989), the present inflation is relatively serious:

1. The scope of inflation is bigger. The annual rates of retail price inflation in the above-mentioned years were as follows: 6 percent in 1980, 8.8 percent in 1985, 18.5 percent in 1988, and 17.8 percent in 1989. However, it was 21.7 percent last year, which is the highest since 1951, and even 3.2 percentage points higher than the highest of the above-mentioned three previous inflations, i.e. 18.5 percent.

2. It has lasted longer. Both inflations happening separately in 1980 and 1985 lasted for a fairly short period of time. That of 1988-1989 lasted a bit longer. Yet counting from the second half of 1988, when the range of price rise widened, to the second half of 1989, when commodity prices witnessed an obvious drop, it lasted just a little more than one year. However, the present inflation, which started in March 1993, when the rate of price hikes grew to a two-digit figure, has lasted two years, and there is as yet no sure sign of it falling.

Accordingly, one should never be caught off guard against the present inflation. If, in the cases of the low-level inflation of 1980 and 1985, the state still took many measures to harness it, then to harness the present

fairly high inflation, still more forceful measures should be taken and certain prices have to be paid. [passage omitted]

Can Inflation Be Avoided While Changing Economic Systems?

Can inflation be avoided in the process of establishing the socialist market economic system, i.e., in the period during which the economic system is changing tracks? The answer lies primarily in how to interpret the concept of inflation.

There is an argument which holds that as long as there occurs a rise of the general price level and a drop of currency value, no matter to what extent and range, inflation exists. For instance, when the price level rises by 0.5 percent, it can be said that the inflation rate is just 0.5 percent. According to this viewpoint, inflation is unavoidable in any country where paper money circulates — not only in China where its economic system is changing tracks, but also in those that have no such problem — because in almost all countries where paper money circulates there are invariably different degrees of rising prices. During the period of the product economy in China, commodity prices were placed under centralized state management, and the Renminbi was the most stable currency in the world. Yet, its average annual rate of inflation was still over 1 percent. In the last few years the average annual rate of inflation has invariably been more than 1 percent in major Western countries. In recent years, inflation has turned out to be the general state of affairs with paper money circulation, and to study whether inflation is avoidable has become a meaningless activity.

However, most people in China's economic circles interpret inflation from another viewpoint, i.e., so long as the rate of inflation falls within a range that the people can tolerate, the currency value can be said to be basically stable and inflation non-existent. And the so-called tolerable rate of inflation, according to experience gained at home and abroad, should be between 1 and 3 percent, and the maximum no more than 4 percent. The inflation rate being kept thus, the people would generally think that commodity prices do not appear to be a problem and do not have a marked impact on their ... food.

In accordance with the viewpoint that inflation can be said to be non-existent as long as the currency value is basically stable, we think that in the period of changing the economic system, it is possible to avoid inflation. China's economic system began changing tracks in 1979, and 16 years have passed since then. Except in those periods when there was inflation, the

fact that inflation rates in the rest of those years were invariably below 4 percent fully justifies this point.

In the period of changing economic systems, some of the original means of macroeconomic regulation and control were invalidated while others weakened in their functions. While the new means of regulation and control have not been fully established, those that have been set up cannot function to their full extent because of insufficient necessary conditions. As a result, there is a greater possibility of incurring inflation; nevertheless, this definitely does not mean inflation is inevitable. The determination shown and measures taken by us during this period have tremendous significance. According to past experience, if the policy of stabilizing currency is resolutely carried out and decisive measures are taken, and powerful external regulation and control are adopted to compensate for the lack of self-discipline within the economy, inflation can be avoided; even when it occurs, it can be harnessed. Certainly, if one firmly holds that inflation is unavoidable and that the economy should be developed and reform carried out while prices rise continuously, and thus fails to take forceful measures to harness it, then inflation truly would be unavoidable. We must adhere to the former viewpoint, strengthen our confidence, curb the present inflation as fast as possible, repress inflation to something around 15 percent this year, then down to somewhere below 4 percent in one or two years, and work hard to avoid new inflation flaring up again later on.

How To Harness the Present Inflation

The speed of economic development must be kept within reasonable bounds. All countries would like to speed up economic development; however, since the material potential to back up economic development is limited, the speed of economic development must be limited within possible bounds. The basic cause that led to the present inflation in China was the over-heated economic development and run of super high speed economic development of the past several years. Taking the annual growth rate of GDP as an example, the figures are as follows: 13.6 percent in 1992, 13.4 percent in 1993, and as high as 11.8 percent in 1994, dropping a little that year. Compared with 9 percent, the universally held maximum growth rate of GDP in China, aggregate growth in the last three years was almost 12 percentage points above the set ceiling. Therefore, to really harness the present inflation, the rate of economic development in the following one or two years should be kept below 9 percent, and part of the success achieved in the past few years with that high rate should be cut a little. In his government work report, Premier Li Peng suggested that the rate of economic growth this year be set at 8-9

percent. In terms of the requirement to harness inflation, this is already a comparatively high rate. So it must be resolutely adhered to and should not be exceeded again.

The supply of badly needed commodities should be increased. The cause of inflation can also be specified as an imbalance between overall supply and demand of the whole society; i.e., overall demand is too big relative to overall supply, or overall supply is insufficient relative to overall demand. Therefore, increasing the supply of goods on the market by putting suitably more investment into the production of those goods that are badly needed on the market, have a short production cycle, and need little investment but bring in good results, is an effective way to harness inflation. China has had quite successful experience in this respect. For example, when harnessing the inflation of 1980, the banks in China played a major role in actively supporting increased production of light industrial goods in short supply by granting intermediate- and short-term loans. This year the state has again made a decision to strengthen support for agricultural production to increase the supply of farm and sideline products such as grain, cotton, and vegetables. This certainly will have the effect of harnessing the present inflation. At the same time, as there was a large increase in foreign exchange reserves last year, we can consider using a portion of this to import the most badly needed commodities in China for use in developing production and extending market commodity supply.

Strict control over fixed assets investment and increase of consumption funds should be continued. To increase investment in order to increase supply of commodities on the market is indeed one way to harness inflation. However, based on many years' experience in China, the aforesaid method would only be applied to the production of a small number of commodities mentioned above and is not suitable to be used as a major means to harness inflation. For, generally speaking, it takes time, i.e., a process starting from injecting capital and then having goods produced and delivered to the market. Some of these processes last quite a long time, during which the money injected turns into purchasing power and hence expands overall demand while the desired goods are yet to be produced. Hence, it does not increase the overall supply but rather expands the gap between the enlarged overall demand and the still comparatively small supply. If the amount of investment is big and the money is injected into the manufacture of goods whose production cycle is fairly long, it would not only be impossible to harness inflation, it would make it worse. Therefore, the principal measure to be taken to harness inflation should be to curb the scale of fixed assets investment and limit the increase of consumption

funds. The total amount of investment should resolutely be kept within the bounds that would help harness inflation. Efforts should be made to rationalize the structure of investment. Within the limit of the set total amount of investment, we should increase the investments that should be increased while decreasing those that should be decreased. The increase of consumption funds should also be placed under strict control. Irregular payment of bonuses and subsidies should be checked, and institutional consumer spending should be firmly curbed.

The management and administration of commodity market and price must be strengthened. The circulation channels must be unclogged, and the circulation of commodities extended. Raising prices at will and driving up prices artificially must be opposed.

Economist Notes Destabilizing Economic Factors

*HK1007032295 Beijing ZHONGGUO XINWEN SHE
in Chinese 0757 GMT 9 May 95*

[By reporter Yan Xiaohong (7027 2556 5725)]

[FBIS Translated Text] Beijing, 9 May (ZHONGGUO XINWEN SHE) — At the "High-Level Symposium on Macroeconomy and National Debt Futures" held here in Beijing the other day, Qiu Xiaohua [6726 2556 5478], chief certified economist [zong jing ji shi 4920 4842 3444 1597] of the Chinese State Statistical Bureau, pointed out: Judged by the economic performance in the first three months of this year, economic development is showing a positive tendency. The "double-fall [shuang hui luo 7175 0932 5507]" trend in the growth rate and the commodity price index probably will continue in the first half of the year, but we must be wary of some destabilizing factors in the next stage, especially in the second half of the year, in order to prevent a reversal of the situation.

He said: First, we must prevent the average economic growth figures' concealing the imbalance of economic development. The rapid economic growth in China over the past three years was due to two factors: 1) The non-state economic sector enjoyed an annual growth rate of over 20 percent and its contribution to national economic growth was about 80 percent, while the state sector grew by only 5-6 percent per year and its contribution was below 20 percent. 2) A few coastal provinces were growing at a pace of 15 percent, or even over 20 percent, and their contribution was about 60 percent, while the majority of the inland regions experienced growth of only 8-10 percent and their contribution was slightly more than 30 percent. This pattern has not changed much since the beginning of this year, and is considered by many people in real life as the main reason for the slow economic

growth and the crux of the difficulties some regions and enterprises claim to have. If we look only at the average figures and implement "tight control" measures indiscriminately, this will not only add to the difficulties facing slow-developing regions and enterprises, but also may affect the sustained, steady, and rapid growth of the entire economy.

Second, we must be wary of a bounce-back in the rate of price increases on the market. At the moment, the commodity-price increase rates are still moving along at quite a high level, the foundation for any drop is not sound, and administrative price checks and price containment by means of fiscal subsidies are rather common and cannot last very long. Therefore, once the control is relaxed slightly, there is a chance that prices will be pushed up by deliberate effort. In particular, the eagerness of various parties to see new price-increase policy moves materializing in the second half of the year is very strong. If this is not given adequate attention and if too many new policies are promulgated too frequently, it is very likely that the limited regulation and control space will obviously be broken, making it impossible to fulfill the targets for the whole year in the end.

Third, we must try to avoid the possibility of crop failures in agriculture. The results of the economic work this year depend largely on agriculture. If things go wrong on the agricultural front, economic work very likely will be thrown into a passive position. Now, various departments are showing much enthusiasm in promoting agriculture, and the state will provide more policy support.

Fourth, we must guard against excessive fluctuations of the exchange rates. At the moment, the renminbi exchange rate is basically in a stable phase and will not experience any "sudden change" in the short-term future. Nevertheless, there do exist some factors that deserve attention. For example, the export cost in terms of foreign exchange has been rising steadily, and is now close to or even higher than the market exchange rate, which will have a stronger restrictive effect on exports and will cause the pressure on depreciation to increase. Other negative factors include the unstable exchange rate of the U.S. dollar on the international market, and the large amount of speculative capital in the international financial structure. Furthermore, the inflow of foreign capital has slowed down, and debt service peaks coincide with one another. All this may affect the stability of the renminbi exchange rate.

Fifth, we must be wary of the irrationality of capital flows. Over the past few years, the state has put a large amount of money into circulation, but the shortage of funds for enterprises has not shown signs

of alleviation. Instead, they sometimes have become even more outstanding. Though partly a result of high commodity prices and high reserves, this also has been caused by some other abnormal factors, which we should be able to see. An outstanding factor is the "two irregular tendencies," namely, repudiation of debts and outflow of funds. On the one hand, many enterprises refuse to pay their debts and deliberately delay payments when they have the money, causing funds to stay in the bank and not to be put into operation. On the other hand, many enterprises let their funds flow from productive fields out into other fields — such as the real estate, circulation, and securities markets — causing a serious shortage of production funds.

Sixth, we should guard against enterprises' rushing into mass reform action. Enterprise reform is a focus of this year's economic work, and all parties concerned ought to give much attention and constructive support. We should recognize, however, that enterprise reform is a long-term commitment and an arduous undertaking. It should not be turned into a "campaign-style" reform. While avoiding any superficial approach that emphasizes formality instead of results, we also should guard against taking enterprise reform too far to converge with other reforms. Otherwise, it may disrupt monetary order, financial order, and distribution order. Neither should we "make noises without doing anything," nor should we create "thunder and rain" at the same time, which, in disregard of the recipients' tolerance level, may cause social instability.

Finance & Banking

Securities Watchdog Drafts Ninth Five-Year Plan

HK0907081495 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 9-15 Jul 95 p 1

[Article by Ren Kan: "CSRC Guides Growth of Securities"]

[FBIS Transcribed Text] China's securities watchdog is actively drafting its Ninth Five-Year Plan (1996-2000) to promote the healthy and steady development of the fledgling securities and futures markets.

The plan is aimed at building a national unified securities and futures market and a centralized market management system, said Zhou Daojiong, Chairman of the China Securities Regulatory Commission (CSRC) in an exclusive interview with *Business Weekly*.

He said the plan will be based on China's actual situation while using the experience of other countries for reference.

Zhou said the plan will give prominence to market supervision while stressing the standardization work.

He said the relationship between standardization and development should be handled well. Standardization is the premise of the development, which means the more the market develops, the more attention should be paid to standardization.

"If we neglect standardization in the process of experimentation or the protection of investors' benefits, the securities and futures market will lose the existing base," he said.

Zhou said securities and futures markets, which are high-risk, represent a two-sided coin for social development.

If they are well managed, they will promote economic growth. But if not, they will cause economic turbulence and even affect social stability.

In order to enhance market supervision, Zhou said, CSRC will set up an inspection department to investigate and settle violation.

The commission will also establish a computerized system to apply instant supervision to trading activities.

Zhou said the State Council Securities Policy Committee and CSRC will give local supervisory departments some necessary power.

They will be authorized to examine and settle regulatory violations and deal with investors' complaints.

They will also supervise the activities of listed companies, securities and futures companies and other intermediary institutions in their regions.

Zhou said China's securities and futures markets have enjoyed rapid growth in the past years, which has laid a firm foundation for their future development.

By the end of 1994, China had issued 11.4 billion yuan (\$1.37 billion) worth of shares in 291 companies listed on the Shanghai and Shenzhen securities exchanges.

The blind development of the futures market has been eased after last year's rectification leaving 15 futures exchanges in operation.

Zhou said China will continue to select some well-managed and profit-making large and medium-sized enterprises to be listed abroad.

At present, China has listed 16 companies in Hong Kong and two in New York.

Zhou said the country will choose the right time to explore new markets while consolidating its foothold in Hong Kong and New York.

He said the country will select a small number of firms to test the market in Tokyo, Singapore and Australia this year.

Zhou stressed that great attention should also be paid to management in developing overseas listings, noting that listing will only be approved by the State Council Securities Policy Committee.

The State will suspend securities and futures trials in any region that dares to list its firms abroad without the committee's approval.

Zhou said China will stick to the B-shares experiment — shares reserved exclusively for foreign investors.

Some high-quality firms will be selected to issue B shares in steps in consideration of the situation in the international market.

He said the experiment of B shares this year will be expanded from Shanghai and Shenzhen to other qualified areas.

Foreign Banks Move to Offices on Shanghai's Bund
OW0907030995 *Beijing XINHUA in English*
0254 GMT 9 Jul 95

[FBIS Transcribed Text] Beijing, July 9 (XINHUA) — The moving of the Shanghai municipal government from a Bund building to a new site in the downtown area has come to symbolize the metropolis' determination to restore the Bund's status as a financial center in the Far East, today's Shanghai Securities News reported.

Most of the buildings on the Bund used to house the big banks that ran business in China, and became the locations of local government departments after the founding of the People's Republic in 1949.

Since Shanghai decided to re-build the Bund into the city's financial center by shifting the government departments to other sites and letting the buildings back to banks and other financial institutions, banks from home and abroad have swarmed to the Bund. And for some of them, it's a kind of returning home since their former China operations were directed from some mansions on the Bund.

By the end of last year, 41 domestic and overseas financial institutions have moved into the Bund, including the newly established China Foreign Currency Exchange Center, Bank of Communications Shanghai branch, Pudong Development Bank, and Bangkok Bank Shanghai branch.

The ABN-AMRO Bank of the Netherlands was the first foreign bank to move back to its old offices in the Peace Hotel, and the East Asia Mansion was again occupied by

the Bank of East Asia, one of the four major overseas banks operating in Shanghai, at the beginning of this year. The bank plans to renovate the mansion into a modern business complex.

Other banks such as Banque Indosuez of France and Bank of China Shanghai branch have signed letters of intent or agreements to return to their former business buildings on the Bund.

By the end of last April, more than 300 foreign financial businesses have approached the Shanghai company dealing transactions on occupier shifting of the Bund buildings, and it is predicted that more buildings will be given back to banks in the latter half of this year.

Enterprise Offers 'B' Shares on Singapore Exchange

OW0607173195 Beijing XINHUA in English
1525 GMT 6 Jul 95

[FBIS Transcribed Text] Singapore, July 6 (XINHUA) — Shenzhen-listed China Merchants Shekou Port Service Co. Ltd (CMSP), the first Chinese company to seek a secondary listing on the Stock Exchange of Singapore (SES), started to offer 26.6 million B shares in two tranches for its mainboard debut here today.

Under the arrangement, 5.32 million shares were being offered to the public at a fixed price of 3.80 Hong Kong dollars, and the remaining 21.28 million shares were being offered under the placement tranche at the same price.

The offer price of 3.8 Hong Kong dollars represents a discount of 9.5 percent from the counter's closing price on the Shenzhen Stock Exchange (SZSE) on Wednesday, July 5, 1995.

In the meantime, the SZSE has granted CMSP's request that dealings in the company's B shares be suspended from today to July 10 with both dates inclusive to facilitate completion of the offer in Singapore.

The CMSP, which has been managing the Shekou Port since 1981, has grown to include 12 subsidiaries and five associate companies. It was listed on the SZSE on May 7, 1993.

Over the past three years, CMSP's turnover increased at an annual compounded rate of 56 percent from 83.1 million Renminbi (RMB) in 1991 to 316.4 million RMB in 1994.

Its net profit before tax increased at an annual compounded rate of 75 percent, from 19.8 million RMB in 1991 to 105.4 million RMB in 1994.

Its core business activities include cargo and container handling, passenger ferry terminal services, and other

port-related businesses such as storage, transport and trade in petro-chemical products, shipping agency services, transportation and freight forwarding services.

Shanghai Uses Japanese Loans in Power Industry

OW1007002595 Beijing XINHUA Domestic Service in Chinese 2106 GMT 4 Jul 95

[By reporter Wang Hongyang (3076 3163 3152)]

[FBIS Translated Text] Shanghai, 5 Jul (XINHUA) — The Shanghai municipal branch of the People's Construction Bank of China recently extended a loan of \$55 million for use in the infrastructural construction of Shanghai's electric power industry. The fund was from an international commerce loan extended to the Shanghai branch by four Japanese banks — Sanwa, Tokyo, Fuji, and Sumitomo.

In recent years, the Shanghai branch of the Construction Bank has successively raised more than 7 billion yuan from foreign banking institutions in support of the construction of Shanghai's electric power industry.

It is reported that the Shanghai branch of the Construction Bank has provided a large amount of service to Shanghai's electric power industry, including loans for construction projects, financial counseling, commission business, engineering project management, and fund-raising. It has successively raised 7.25 billion yuan, of which 2.9 billion yuan were loaned to support such key state and municipal construction projects as the Shidongkou power plant, Pudong's Waigaoqiao power plant, the Wujing power plant, the Wangting power plant, and the Tianhuangping pumped-storage power plant. The Shanghai branch of the Construction Bank has also provided intermediary banking services for the technological transformation of Shanghai's old power plants, such as the Zhabei power plant, the Yangshupu power plant, and the Nanshi power plant.

*Yunnan Official Views New Local Tax Bases

95CE0453B Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese 10 May 95 No 5, pp 17-19

[Article by Chen Qiusheng (7115 4428 3932), Industry Office, Yunnan Province Finance Department: "Examination of Various Problems in Building Local Revenue Sources Under the Tax Sharing System"]

[FBIS Translated Text] The movement of the entire country toward a tax-sharing fiscal system beginning in 1994 marked a major reform in the fiscal and economic realm, and it also constituted a major readjustment of the interests of the central government and local governments. Consequently, institution of the tax-sharing

system not only can produce changes in the balance of local government financial resources and the composition of their revenues and expenditures, but it can also produce a profound effect on the make-up of local government sources of revenue, the structure of their economy, and even local government economic development strategy. The role that the benefits of this tax-sharing system have played after a year of implementation is increasingly evident. For Yunnan province, where the "two tobaccos" serve as the mainstay of fiscal revenues, how to adapt to this change, how to recreate a new situation in the development of the local economy under these circumstances, how to open up and nurture new sources of revenue, and how to ensure a steady increase in central government and local government financial revenues in an effort to balance local government budgets is particularly important. This article will discuss several thoughts about this.

I. Effect of the Tax Sharing System on the Province Finance and Economy

After more than a decade of effort, Yunnan's treasury shaped a structure in which flue-cured tobacco and cigarettes were the mainstays of fiscal revenues. Development of the "two tobaccos" enabled the province to maintain an average 20.5 percent average annual increase in revenues since 1980. In 1993, the province realized revenues of 20.5 billion yuan. On the one hand this was an achievement gained as a result of the province having used the advantages it enjoys, concentrating inputs, and energetically making the most of the resources with which it is richly endowed. On the other hand, the remarkable returns from these two high tax products concealed the disparity between the level of development of agricultural and industrial production in Yunnan province and that of fraternal provinces and cities, as well as difficulties and problems such as those found in the industrial structure. Tax-sharing system reform changed the composition of the province's sources of revenue, the balance of its fiscal resources, and its economic pattern. Its profound effect is manifested in the following ways:

1. The distribution pattern underwent a major change. It changed from one in which the province collected and spent its own revenues to one that depended on central government paybacks of tax revenues for support. The transfer of an overwhelming majority of the cigarette tax, which served as the main source of revenues, and the division of enterprise profits with the central government or leaving them to enterprises will change the pattern in which the province's finances formerly depended primarily on cigarette revenues to support operations. Consequently, slowing of the rate of

increase in local government fiscal revenues, and a low percentage increase in paybacks can increase pressures and difficulties for balancing the budget and for all fiscal work, with conflicts between fiscal receipts and expenditures thus becoming more glaring.

2. The investment structure changed. This will adversely affect the intensity of investment. During the Seventh and Eighth Five-Year Plans, taxes on the "two tobaccos" produced fund accumulations with local financial resources increasing steadily. Thus, the province could concentrate money on speeding up the building of infrastructure. Three railroads, the Nanning-Kunming, the Guang-Da, and the Kunming-Yu lines, have been completed or are being built for gradual improvement of the shortage of transportation out of the province. The province now has some high grade highways. A high grade highway network centering on Kunming is in process of formation. Two power generating units have come on stream at the Manwan power station, and construction has begun on a number of large and medium size power stations such as Dahushan. The power supply shortage has improved. Programmable telephones are in use over a wide area in the province. In addition to the opening to air traffic at Mangshi, Jinghong, Zhao-tong, Baoshan, and Simao airports, other airports under construction in the province are Lijiang and Dali. These will greatly shorten the distance between the province and the outside world, and will enable improvement of the province's investment climate. Statistics show a more than 60 percent government investment in infrastructure and key construction projects in the province during the Seventh Five-Year Plan and during the first three months of the Eighth Five-Year Plan. Enactment of the tax sharing system demolished the pattern of the province relying mostly on government financing of infrastructure and underwriting of major project. Not only has it increased construction money raising and scheduling, but it has also affected the scale and intensity of investment.

3. Keeping prefecture and county financial resources in balance has become more difficult, and problems reconciling receipts and expenditures has become greater. One hundred nine of Yunnan province's 127 counties, or 85.8 percent, show a deficit, and provincial assistance to counties expanded from 730 million yuan in 1993 to 2.58 billion yuan in 1994. With the weakening of the province's fiscal regulation and control capabilities in the wake of tax sharing, and with the unevenness between one prefecture and another in the regional economic structure, some prefectures and counties became fiscally "poor" and others "rich." They were confronted with a choice between spending money on food or construction.

4. Large and medium-sized state-owned enterprises lack sufficient vitality, and the burdens of money losing industries and enterprises are heavy. In addition, most enterprises are strapped with the task of readjusting their product make-up and technological transformation. During the first several years of tax sharing, the revenues they provided local treasuries were extremely limited. At the end of July 1994, the rate of profit and taxes on capital was only 3.7 percent for province-level, state-owned industrial enterprises in Yunnan whose assets totaled 31.9 billion yuan. This included assets of 18.3 billion, or 57.4 percent, for prefecture and autonomous prefecture state-owned industrial enterprises on which the profits and taxes on capital was only 2.7 percent, or one percentage point less than for the province level. The disparity with developed coastal provinces and cities is greater. The main reasons are the irrational industrial structure and product mix, and backward technology and equipment, which result in low returns, numerous money-losing concerns, and heavy burdens and numerous debts for old enterprises. Furthermore, enterprise operating mechanisms have not completely switched to the socialist market economy system. Enterprises that should go bankrupt cannot go bankrupt, and those that should merge are unable to merge. The contributions to the country of state-owned enterprises, which are mainstays of the national economy, cannot be expressed to the full.

5. Following tax system reform, certain kinds of taxes and tax rates changed, thereby adding to enterprise tax burdens. For example, after the salt tax, which was formerly a simple special tax, was changed to a value-added tax, and a new resources tax, the edible salt tax became 3.8 times the original tax. This had a direct affect on two large salt plants in Kunming and Yipinglang.

The problems generated or intensified by these institutional changes were reflected either directly or indirectly on government finances. They increased the problem of balancing local budgets.

II. The Opportunity That Taxation System Reform Provides To Overcome the Province Structural Difficulties

The institution of the tax-sharing system and fiscal system necessitated changes and affected the amount of financial resources available to local governments and the composition of financial sources in the province; however, tax-sharing system reform also solved the province's structural difficulties and provided an opportunity both to develop the province economy and to boost government revenues.

Not only does the province lack a diversified financial resources structure and an insufficiently rational industrial structure, with energy, transportation, and farmland water conservancy facilities constituting a bottleneck that restricts local economic development, but the investment structure, the credit structure, and the ownership system are also lacking in diversity. Structural difficulties are a main reason for the uneven development of Yunnan's economy. Although the tax-sharing system created pressures, it also brought power and hope for solving structural difficulties.

The core component of the tax-sharing fiscal management system is the division of different kinds of taxes into fixed central government revenues, fixed local government revenues, and revenues jointly shared by the central government and local governments. This is based on the principle of linking fiscal authority to other authority. In addition to the central government fixed revenues, among the revenues that the central government and local government share jointly, are the value-added tax, 75 percent of which goes to the central government, with local governments getting 25 percent. Resources taxes are divided differently for different resources, most of them becoming local government revenue. The main local government fixed revenues are the business tax, the local enterprise income tax, the personal income tax, the special agricultural products tax, the city and town land use tax, and the land added value tax. We must use this system as a guide in pursuing the goal of opening up and developing new financial resources, and to concentrate efforts on readjustments of the province's financial resources structure, industrial structure, investment structure, and ownership system structure. The institutional effects of taxation system reform in promoting development of the province's economy are primarily as follows:

First, the tax-sharing system helps impel governments at all levels to concentrate efforts on enlivening state-owned enterprises, on developing industries other than the tobacco industry, and on transforming enterprise operating mechanisms. It helps impel enterprises to maintain a market orientation, following a course of economic development that emphasizes results. In addition, it also requires the fiscal authorities to give priority support to the development of local industries, helping enterprises in policy, finance, and financial management terms. It makes them improve administration and management and increase economic benefits, thereby making them main sources of local fiscal revenue.

Second, in basing the tax-sharing system on the principle of distinguishing between fiscal authority and authority over other matters, the tax-sharing system determines that those who invest reap the gains, and those

who make policy mistakes bear the burdens. It helps change the tendency of prefecture and county governments to mount projects without due consideration, or without making proper preparations. The emphasis on real results, and the close attention to economic returns hastens the development of township and town enterprises, thus making them new growth points for sources of local revenue. Since the Eighth Five-Year Plan, the provincial fiscal authorities have selected 164 projects in 38 provinces and cities for the running of projects to "reduce subsidies and generate 100 million yuan" from which results have been outstanding. During the past three years, fiscal revenues of the 38 counties and cities have increased an average 23 percent per year. Between 1990 and 1993, they increased 86 percent, higher than the average for the province as a whole. The fiscal revenues of two counties and cities already exceed 70 million yuan. In five counties and cities, they have reached 50 million yuan, two years ahead of schedule for the fiscal goal of "reduce subsidies and generate 100 million yuan." Therefore, thanks to tax-sharing system institutional reforms, it is easier to get prefecture and county treasuries to put efforts into the nurture and development of township and town enterprises. They are focusing on the development of local resources, and on products and projects having a certain technological content, high value-added, and marketability. Prefectures and counties are helping enterprises increase in size, improve quality, and create name-brand, premium products. They are fostering a number of steady revenue sources and large taxpaying households; consequently, township and town enterprises are developing into mainstay sources of revenue for prefecture and county governments.

Third, the tax-sharing system has made a part of local revenues the income taxes of local enterprises at all levels, the income taxes of enterprises in which foreign firms have invested, and it has also incorporated most taxes on resources into local government revenues. Therefore, it has helped the province make the most of its resources, has had a positive effect on bringing in foreign capital, and has hastened the development of three kinds of partially or wholly foreign-owned enterprises. It has widened economic and technical cooperation with the outside world, and opened up new domestic and international markets. It has helped small state-owned enterprises at the county level and below in the province to engage in leasing, transfers, sales, or private operation of state-owned enterprises, and it has given a green light to development of individually and privately operated enterprises. It has spurred development of the share cooperation system and speeded up the pace of reform. It has changed the situation in the province in which the publicly owned economy accounts for more than 95 percent.

the individually and privately owned economy accounts for only 3.8 percent, and three kinds of partially or wholly foreign-owned enterprises account for less than 1 percent. It has promoted the joint development of economic diversification in border areas where public ownership predominates.

Fourth, with the institution of the tax-sharing system, increase in local government fixed revenues depends mostly on the development of tertiary industries. Tertiary industries will play the main role in future local economic development. Statistics show that in 1993, Yunnan province received only 405,000 tourists from abroad. Income from tourism totaled \$104 million, which equaled \$256.80 per tourist. If the number of foreign guests visiting the province increases 8 percent each year, by 2000 the total will reach 693,000, with foreign exchange earnings possibly reaching \$178 million. At the current rate of exchange, the province total income from tourism will reach 5.77 billion yuan. This will be reflected in a several hundred million yuan increase in revenues. With good work, the province tourism industry has the prospect of developing into a main revenue producing industry. Therefore, it behooves all quarters in the province to agree to develop Yunnan's rich tourism resources, putting into effect the strategic decisions of the provincial CPC Committee and the provincial government on making Yunnan into a first rate province for tourism, with tourism becoming a mainstay industry in the development of the province local economy.

Fifth, the tax-sharing system will have a bearing on making agricultural taxes a part of local fiscal revenues, thereby making the position of agriculture as the basic industry increasingly important in the economic structure. The distinctive resources and climate of Yunnan province provide favorable conditions for the exploitation of biological resources to operate green industries and to develop foreign-exchange-earning agriculture. A number of production bases and processing enterprises have been set up in recent years for local well-known, specialty, and premium products, including orchard fruits, premium quality vegetables, natural spices, flower pots, medicinal materials, cattle and poultry, aquatic products, walnuts, chestnuts, and white kidney beans. These provide a definite source of supply for foreign-exchange-earning exports. Exports of foreign-exchange-earning agricultural products have steadily increased, with foreign-exchange earnings amounting to more than \$70 million each year. Exports of flue-cured tobacco, sugar, and tea now earn more than \$10 million each year. Foreign-exchange earnings from rare, wild, edible fungi and livestock products amount to more than \$8 million. Agricultural products from Yunnan province

are exported to 18 countries and territories in Asia, Europe, and North America. The exploitation of resources in which the province enjoys superiority, including farm, forest, and specialty products, has enriched both the people and counties. It has also provided raw materials for processing industries. In this regard, the experiences of Xishuangbanna autonomous prefecture provide worthwhile lessons. Since the 1980s, Xishuangbanna autonomous prefecture has created a number of distinctive dominant industries through the development of high quality cash crops including rubber, sugar, tea, Yunnan medicinal herbs, fruits, and spices, which have caused a rocketing of the minority nationalities economy of the entire autonomous prefecture. In 1993, the autonomous prefecture fiscal revenues reached 137 million yuan in an 11 fold increase over 1978, and peasant per capita net income reached 824 yuan, thereby hastening the escape from poverty toward a comfortably well-off standard of living. Therefore, promotion of the tax-sharing system helped all jurisdictions of the province suit general methods to local circumstances, make use of their separate advantages, optimize the structure of agriculture, hasten exploitation of biological resources and green industries, develop high returns, foreign-exchange-earning agriculture, thus making it a major source of local revenue.

Sixth, following tax-sharing system reform, the province disposable financial resources decreased, and the government used them mostly to ensure the supply of food. The percentage of government investment in fixed assets will decrease over time. Primary reliance on the government for construction funds is a thing of the past. This will require the province to use every available means and every channel to raise construction funds. It will have to depend on the opening of new financing channels to support key construction projects and the development of mainstay industries in the province. Objectively, this will help spur development of the province local finance, trust, and share certificate markets.

III. Accommodate to the New System; Seek New Development

Although tax-sharing system reform reduces local government sources of revenue, the new system also provides new opportunities for local governments to develop revenue sources. Therefore, close attention to building revenue sources under the new circumstances, optimizing the province economic structure, and pioneering and fostering new fiscal growth points as tax-sharing system reform plans and the market economy require, requires work as follows:

1. Pay close attention to main sources of revenue, spurring a new rise of the "two tobaccos." Although the

central government received the lions share of increased revenues from the the "two tobaccos" in the wake of tax sharing, local governments may still share 25 percent of the value-added tax. The portion returned to local jurisdictions from the increase in the value-added tax and the consumption tax still depends largely on receipts from the "two tobaccos." Therefore, the "two tobaccos" remain the main source under the new system to which the province turns to ensure a balanced budget and further development of all activities. Their status as a main source of revenue cannot be replaced for a long time to come. Those who suppose that we can relax now that the "two tobaccos" have developed to the scale they are and that further inputs into the "two tobaccos" is not worthwhile are incorrect. Governments at all levels and fiscal units will have to continue to support the tobacco industry, stabilize the flue-cured tobacco growing area, output, quality, improve the way in which returns are apportioned, and guard against a slide in the production of the first workshop [di yi che jian 4574 0001 6508 7035]; and also promote further development of projects for the doubling of well-known and premium tobaccos and cigarette-associated industries in order to maintain the leading position of the province's "two tobaccos" in the domestic tobacco industry in terms of scale, technology, quality, and returns.

2. During 1995, the state will place the emphasis of reform on invigorating large and medium-sized state-owned enterprises. We must use this favorable turn of events to cause enterprises to transform their operating mechanisms, intensifying internal and external enterprise reform with the goal of founding a modern enterprise system. Fiscal and system reform agencies must help enterprises explore ways to diversify and to follow a course of reforming the property rights system. They must actively move ahead with readjustments of structure of the province ownership system and the organizational structure of enterprises. They must do things like encourage partnerships of dominant enterprises, and mergers of enterprises whose production and business is not good for optimization and recombination of key production elements. They must permit state-owned enterprises to devote a portion of their buildings, land, equipment and personnel to foreign firms operation. They must encourage a "marriage" of state-owned enterprises to township and town enterprises, and to collective enterprises. They must permit state-owned enterprises to auction some of their assets to become collectively-owned enterprises. They must select a number of enterprises having the requisite conditions for share system transformation in order to change the province's presently undifferentiated system of ownership and proportional imbalance for further emancipation of productivity. In addition, they must continue to emphasize the

reversal of losses and the increase in profits, and they must close, halt, merge, or convert to other lines of production those firms that simply cannot go on and have no hope of turning around their losses, even permitting them to go bankrupt. This will enable large and medium-sized state-owned enterprises to redevelop elan, and to make the most of their status and role as mainstays and principal sources of government revenue, thereby making a new contribution in building the national economy and developing all enterprises.

3. Make further use of the regulation and control role of government fiscal functions for active nurture of new fiscal growth points. Government financial credit funds must guide the way in which investment is used, continuing to support key construction projects in the province, such as energy and transportation, and the building of infrastructure. They must support development of potentially strong industries such as tourism and foreign-exchange-earning agriculture for the fostering of follow-on sources of revenue. They must further sustain the development of township and town industry, enliven the economy of prefectures and counties, promote readjustment of the industrial structure and the composition of revenue sources, balance the province's regional economic structure, and make the province productivity pattern rational.

4. We must improve further the investment climate, improve work efficiency, expand the opening to the outside world, attract more foreign business and foreign capital, and develop vigorously the three kinds of partially or wholly foreign-owned enterprises. We must amend and perfect the province policy provisions to encourage foreign firms to venture into the building of infrastructure, to invest in the development of foreign-exchange-earning agriculture, in high technology industries and in key tourism sites, in order to promote development of the province externally oriented economy.

5. Equal emphasis on broadening sources of revenue and reducing expenditures. We must improve tax collections and the control of sources of taxation, tapping to the maximum extent potential for increasing revenues. While striving to increase returns from government investment and promoting increases in production and receipts, we must carry out a rigorous fiscal policy that adheres to the principle that scale and speed of building must be in keeping with financial resources. We must inculcate the concept that even when building infrastructure, we must base expenditures on income, and do only as much as resources permit. We must pay close attention to the quality and benefits from development of local economies. We must advocate a spirit of arduous struggle, hard work, and frugality in building the country. We must inculcate a fine atmosphere of increasing

income and conserving expenditures, persevere in the practice of economy, oppose extravagance and waste, and curtail unnecessary expenditures. We must use financial resources where they are needed most to promote the building of the province economy and for the sustained, healthy, and steady development of all endeavors.

Foreign Trade & Investment

'National Treatment' in Taxation for Foreign Firms
HK0907063595 Hong Kong SOUTH CHINA MORNING POST in English 9 Jul 95 p 6

[By Peter Seidlitz in Beijing]

[FBIS Transcribed Text] Beijing will introduce a "national treatment" policy for overseas enterprises, bringing taxation for joint ventures and other foreign-owned units in line with that of state concerns.

"Super-minister" Wang Zhongyu, in charge of the State Economic and Trade Commission, also said the tight money and credit policy would stay for the rest of the year.

In an exclusive interview, he revealed the party had decided "long ago" that, despite the reconstruction of industry, "public ownership will be the main feature."

"Public ownership doesn't mean only state ownership, but collective ownership. Our position is that state-owned enterprises are and will be the major body of the national economy. Private and individual ownership account for less than 10 percent of the national economy."

Mr Wang said that while it was true a higher tax was levied on state-owned industries than on joint ventures, the solution was not to reduce the tax on state firms. Instead, he said, a "national treatment policy" would be introduced.

"National treatment is widely adopted in the world. But we cannot achieve this overnight. And national treatment will not be applied to all enterprises. Like other countries we will still give a lower rate to enterprises which we support and those which will be specially useful for the national economy."

On whether investors would be scared away, he said those "with vision" would have to take into consideration that preferential tax treatment was "not as important as the investment environment."

Foreign investors should first consider whether the investment environment was stable, and then consider the security of returns on the investment.

Mr Wang said: "My personal opinion is that in this respect China is in a much better position than many other countries in the world. A large number of state-owned companies face the challenge of technical renovation.

"That means there are good prospects for investments. And generally the return of investment in China is high."

Mr Wang said if one took a broad view, the situation with state firms in the first half of this year was better than last year, since the debts-to-assets ratio had not increased.

But the gap between strong enterprises and weaker ones was widening. This year, struggling firms were experiencing acute problems.

"Under the old planning system, an enterprise which ran into difficulties was rescued by the state.

"Now they are largely on their own. They have to rescue themselves by relying on market forces," he said.

Mr Wang said another development was that the salary gap was growing between strong and weak firms.

"In the past, all employees in the state industry sector were paid about the same. Workers in strong enterprises now get much more money and workers in the problem enterprises less. That causes a lot of complaints from the workforce," he said.

Mr Wang said the social upheavals of 1989 had been "clearly defined" by the Communist Party and the State Council.

As a result, he said the Government now paid close attention to three points: social stability, economic development and reform.

Mr Wang said he did not think privatisation was the answer or the way out.

"Look at the coal mines; the problem is the quality of the coal. Even if foreigners buy the mines they still face the problem on how to improve the quality of the coal.

"So it is not a matter of these companies being state-owned and privatised."

He said if the Government believed enterprises would survive, they would get support for the development of new products.

But those which had run losses for many years, and which had no hope, would be taken over in mergers or acquisitions, or become bankrupt.

Mr Wang said the Government intended to accelerate this process, and had chosen 18 cities to experiment.

But he said they had to be careful, since more bankruptcies would mean more unemployment. The Government would play a supportive role, he said.

Once a weak firm had merged, the new company would not have to pay interest on the old debts, he said. The new owners could take five years to pay off the loans and new loans in the first two years also would be interest-free.

Mr Wang said: "We still are going at a very fast pace. The gross national product growth rate was 14 per cent in the first half-year. We feel this is too high.

"In order to manage our enterprise reform we need breathing space. So we have to have a policy. To be more precise we label this a 'carefully tight monetary policy'.

"This means the monetary policy is tight, but we carefully measure how tight."

The money supply was "under control", with inflation 19 per cent and "dwindling month by month."

Strong Renminbi Takes 'Toll'

HK0907081595 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 9-15 Jul 95 p 1

[("News Analysis" by Lu Hongyong: "Strong RMB May Spell Trade Deficit")]

[FBIS Transcribed Text] A strong renminbi threatens to reverse China's trade wind from a surplus to minor deficit in the latter half of this year, pressing the State to take measures to maintain a trade surplus in the long run.

The renminbi yuan continued its appreciation against the US dollar over the past six months and its current swap rate averages 8.3 yuan to one US dollar.

A sustained trade surplus and huge influx of actual foreign investment caused China's foreign exchange reserves to balloon and have stiffened the renminbi.

By the end of last month, China's foreign exchange reserves topped \$60 billion, following a trade surplus of \$10.26 billion by May and actual foreign investment in the first quarter of this year of \$6.55 billion.

That mammoth buildup won't slim soon considering that 1995 is a peak year of debt repayment for China, not to mention a looming downturn in foreign cash inflow for the rest of the year.

"The amount of foreign money to be invested in one year is closely linked to the amount of foreign investment pledged for the previous year," said Lin Ye, a strategist at Sinochem.

He believed declining foreign cash inflow will surface in the latter half of the year — as a result of the 30 per cent drop in pledged direct foreign investment last year.

In addition to shrinking foreign investment, the tight domestic credit situation and high inflation depress both investment and consumption, making a foreign trade surplus an essential contributor to national economic growth.

Experts suggest the renminbi be stabilized or even strengthened a bit to prevent retrieval of foreign investment.

They noted a huge foreign exchange reserve is desirable to keep the financial stability of Hong Kong when it returns to the sovereignty of China in two years.

Tightened monetary control will restrict domestic trading companies' desire for foreign exchange — making the yielding of the renminbi even less likely.

But the toll a strong renminbi took on China's foreign trade has turned increasingly visible. The growth rate dipped from an average 62 per cent for the first quarter to 49.2 per cent by May, down by a remarkable 12 per cent.

Other obstacles to export growth include inflated prices for domestic purchases, reduced rates for export tax refunds and their delayed payment and a rise in bidding costs.

While export growth is down from a monthly rate of 88.2 per cent last December to 49.1 per cent this May, imports have kept a minor but stable growth rate of around 15 per cent.

France's Renault Enters Minivan in Chinese Market

OW1007020795 Beijing XINHUA in English
0103 GMT 10 Jul 95

[FBIS Transcribed Text] Beijing, July 10 (XINHUA) — The French Renault company has put its first auto on the China market, an eight-place mini-van.

The "Traffic" had a warm reception by customers, according to today's "China Automotive News".

The Traffic is produced by the Sanjiang Renault Automobile Corporation, a joint venture of Renault and the China Sanjiang aeronautical group, one of the largest joint ventures for making civil use products in the country's aeronautical sector.

Investment in the first phase of the joint venture hit 98 million US dollars, with 45 percent coming from Renault.

The joint venture began operation last year in Xiaogan City, near the provincial capital of Wuhan, with an annual production capacity of 40,000 vehicles.

The mini-van represents is a product of refined technology of Renault, with the engine, interior design, and other items having been developed to cater to China's special needs and road conditions.

To guarantee the quality and manufacturing techniques used to produce the mini-van, Renault has more than 20 technicians and management experts at the joint venture.

France's Alcatel To Build ATM Network

OW0907065895 Beijing XINHUA in English
0622 GMT 9 Jul 95

[FBIS Transcribed Text] Beijing, July 9 (XINHUA) — A leading international telecommunications company, Alcatel Alsthom of France, will build an experimental ATM network here starting this month, according to an agreement between Alcatel and the Beijing Telecommunications Administration (BTA) which was signed recently.

With the network, BTA will be able to provide such services as audio-visual, multi-media and high-speed data transmission for enterprises, institutions, research institutes and institutes of higher learning.

BTA officials said that the network also plans to provide TV-On-Demand service to hotels and private homes.

The ATM network will adopt the Alcatel 1000AX system, which is widely used by telecom firms in the United States and Europe, and is mass-produced by Alcatel-CIT of France.

BTA, affiliated to the Chinese Ministry of Posts and Telecommunications, is committing itself to the development of a grand telecommunications network — the "Information Superhighway."

Firms Sign Auto Parts Venture With Italian Firm

OW0807162395 Beijing XINHUA in English
1531 GMT 8 Jul 95

[FBIS Transcribed Text] Shanghai, July 8 (XINHUA) — Two Chinese companies in Shanghai and an Italian firm signed here today on setting up a joint venture of sedan rubber sealing elements.

The total investment in joint venture is set to be 36 million US dollars, 65 percent of which will be funded by the Shanghai Automobile Industrial Corporation, five percent by the Shanghai Yongying Industrial Corporation, and 30 percent by the Italian SAIAG Joint-Stock Corporation.

It involves high technology to produce the sealing elements. SAIAG is advanced in the technology, which has been introduced to 42 firms worldwide.

The new Sino-Italian joint venture is expected to start operation next year. It will be located in the Qingpu Daying Industrial Development Zone in this municipality. And now basic construction is proceeding well.

In the early phase, the joint venture will manufacture 36 types of sealing elements for Volkswagen brand of cars, officials said. In the future, however, it will produce sealing elements for other brands of cars and for export.

Airbus Sets Up Training, Service Center in Beijing

OW0807121595 Beijing XINHUA in English
1152 GMT 8 Jul 95

[FBIS Transcribed Text] Beijing, July 8 (XINHUA) — Airbus Industrie of France started the construction of its first training and service center in Asia today in the Capital Airport in Beijing.

The center is a joint cooperative project between Airbus and China Aviation Supplies Corporation.

The Airbus Beijing Training and Service Center is expected to require a total investment of 50 million U.S. dollars, and is due to start operation in 1996.

The center, which will cover an area of 40,000 sq m and have a floor space of 20,000 sq m, will consist of a training building, a service building and an administration building. Equipped with two flight-simulators, the training building will be a base for training Chinese pilots flying Airbus planes. The service building is also the France-based company's fourth spares-supplying center in the whole world.

Airbus is the first among the world's three major aircraft manufacturers to set up a training center in China. Last December, Boeing started to operate a spares supply center also in the Capital Airport.

The consortium's choice of Beijing as the site for its third training center globally after the ones in Toulouse, where its headquarters are located, and Miami, Florida, highlights the importance of the Chinese market to Airbus, according to an Airbus' press liaison official.

Airbus Industrie forecasts that Chinese airlines will acquire a total of some 1,275 airliners from now to the year 2014, to cope with traffic growth and to replace ageing airplanes. The company's goal is to occupy half of this market, which represents almost 40 percent of the needs of the entire Asia-Pacific region, the fastest growing market of planes in the world.

Airbus entered the Chinese market about ten years ago by selling an A310 passenger plane to China Eastern Airlines. The airlines and other two Chinese airlines, China Northern Airlines and China Northwest Airlines, are operating a total of 22 Airbus planes, and have ordered another twenty two.

Shanghai, British Firm Cooperate Against Smugglers

OW0707145595 Beijing XINHUA in English
1433 GMT 7 Jul 95

[FBIS Transcribed Text] Shanghai, July 7 (XINHUA) — A signing ceremony, marking the start of cooperation between the Customs Bureau of this China's largest economic center and a famous Sino-British soap maker to crack down on smugglers, was held here today.

This will put customs to the test in protecting management's rights in businesses, according to Lu Peijun, deputy director of Shanghai Customs.

The cooperation will cover many large and medium-sized enterprises, foreign-trade companies, and departments of taxation, industry, and commerce this year, Lu added.

The Shanghai Lihua Corporation, Ltd, a Sino-British enterprise that produces the well-known "LUX" brand of soap, has reported at least 15,000 tons of soap bearing the same name being smuggled annually and sold on Chinese markets since 1991, amounting to a total of 1.5 million boxes.

This has forced the company to stop or reduce production many times, officials said.

The company's annual production capacity is 30,000 tons, but only half of that was utilized in 1994, causing great economic losses, the officials added.

The case aroused the attention of the State Council and the General Administration of Customs.

To guarantee the investment and management environment for overseas investors, Shanghai customs vowed to look into smuggling activities with the help of the corporation, using information and clues on smuggling provided by the company.

Power Ministry Sets Up Offshore Financing Arm

HK0907023295 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English
8 Jul 95 p 3

[By Dusty Clayton]

[FBIS Transcribed Text] The Ministry of Electric Power has established its first offshore financing arm in an

attempt to fulfil the capital needs of China's under-funded power sector.

As a wholly owned subsidiary of the ministry's China Power Investment Corp, the new China Power International Holding in Hong Kong will float assets issue bonds and establish investment funds.

The money raised will be channelled into investments in China's power sector held by China Power Investment.

The president of the both companies, Zang Mingchang, said conflicts of interest would be avoided because both companies fell under one management.

"Our goal is to raise capital abroad and set up power stations in China. It's that simple," he said.

The ministry expected to install about 80,000 megawatts of power by 2000, bringing the capacity to 300,000mW.

That depends on foreign investors providing about 20 per cent of the funding.

Mr Zang said China Power International would wait before listing assets because flotations were an expensive way to raise capital and the company's debt ratio was low.

Without indicating a specific time frame, he said the first step after assessing the company's assets would be to issue bonds.

Mr Zang said China Power International was working closely with the World Bank to set up an investment fund.

As a first step, it planned to work with the World Bank on two or three power projects. It would then begin to operate the fund and finally invite foreign investors and financial institutions to co-operate in direct investments in the project.

China Power Investment would assume the government's ownership position in 6,600mW of existing power assets in seven plants, plus a 7.5 percent stake in the Daya Bay nuclear power plant in Guangdong. It also owns 27 percent of the Rizhai Power plant in Shandong and 45 percent of the Wuhu Power Plant phase four in Anhui, which are under construction.

Electric Power Minister Shi Dazhen said China Power International would serve as the financial lynchpin for the projects.

"As soon as we get the money, we can immediately put it into these projects," he said.

"The market already exists for additional electricity.

"We're just waiting for the funds."

Mr Zang said all the projects had been approved by the central government.

He said China Power Investment and China Power International planned to rely on non-recourse financing and the build-operate-transfer method of construction.

He stressed that the government could not guarantee the success of the projects.

The company aimed to become an active developer in the international power sector by 2000.

'Collective Contract System' Used in Foreign Firms

*OW0807132895 Beijing XINHUA in English
1305 GMT 8 Jul 95*

[FBIS Transcribed Text] Qingdao, July 8 (XINHUA) — The collective contract system has entered an experimental phase in six foreign-funded enterprises in Qingdao, in East China's Shandong Province.

The new system, which is in accordance with the country's Labor Law adopted a year ago and with international practices, allows for a trade union, on behalf of the workers, to sign a labor contract with the employer covering pay, vacations, hours, worker's safety, health measures, insurance, and retirement.

Qingdao was one of the six pilot cities chosen by the central government to experiment with the new system.

According to a local labor official, Qingdao has issued a provisional regulation on signing the collective labor contracts, which stipulates that the draft should be submitted to a workers' conference, or to all employees for approval.

The new system is expected to spread to other foreign-funded enterprises and state-owned and collectively-owned ones in the latter half of this year.

Bearings Exports Expected To Increase

*OW0807124795 Beijing XINHUA in English
1227 GMT 8 Jul 95*

[FBIS Transcribed Text] Beijing, July 8 (XINHUA) — China exported some 324 million sets of bearings in 1994, up 87.3 percent from the previous year, according to statistics released by the General Administration of Customs.

The statistics further show that such large exports earned foreign currency totaling 214 million U.S. dollars, an increase of 45.7 percent over the 1993 figure and accounting for three percent of the world bearings trade.

An official of the Ministry of the Machine Building Industry said that the country's export volume of

bearings will keep up the expansion momentum to hit 400 million U.S. dollars-worth by the end of the year 2000. At that time, more than 500 million sets of bearings will be exported overseas.

Meanwhile, export of mini-bearings will increase to 50 million U.S. dollars-worth, compared with 20 million U.S. dollars-worth last year.

Export of small ball bearings could outstrip 250 million U.S. dollars-worth by the end of this century, he predicted.

He said that bearing components worth about 30 million U.S. dollars will also be included in the sector's export list then.

He noted that the worldwide increasing demand for quality bearings, which is expected to stand at 11 billion U.S. dollars-worth in 2000, provide a good opportunity for China's rapidly developing bearings industry.

The sector will shift its focus to high-value-added products, including automobile bearings and precision bearings, in the next five years.

So far, the largest buyer of Chinese bearings is the United States. Hong Kong and Southeast Asia are the second-biggest buyers, according to the statistics.

Shanghai Customs Reports Foreign Trade Upsurge
OW1007074495 Beijing XINHUA in English
0709 GMT 10 Jul 95

[FBIS Transcribed Text] Shanghai, July 10 (XINHUA) — The Shanghai Customs reported foreign trade by 19.86 billion U.S. dollars in the first half of this year, up 36.5 percent over the same period of last year. [sentence as received]

Of the total trade volume, import reached 9.023 billion U.S. dollars and export 10.837 billion U.S. dollars, up by 21 percent and 52.9 percent, respectively, according to statistics from the customs.

Trade officials attribute the upsurge to the increase of export from state-owned foreign trade enterprises, which exported 8.49 billion worth of goods in this period, accounting for 78 percent of the total export and up 56.4 percent over the same period of last year.

The second factor of the upsurge is that processing trade, which has been playing an important role in Shanghai's foreign trade, grew sharply in this period.

Its import came to 3.59 billion U.S. dollars, and export, 4.13 billion U.S. dollars, up 56.9 percent and 70.2 percent, respectively, over the same period of last year.

The third factor is the sustained increase of import of foreign-funded enterprises, which imported 4.81 billion

U.S. dollars worth of goods in this period, up 41.4 percent over the same period of last year.

The Pudong New Area, which has been a hot spot for foreign investments recently, also had a great leap in its foreign trade, which reached 3.36 billion U.S. dollars in this period, up 105 percent over the same period of last year.

Trade officials say that the sustained growth of foreign trade through the customs has shown that Shanghai is becoming a trade center.

In 1993, foreign trade through the Shanghai customs exceeded 30 billion U.S. dollars for the first time. While last year, the trade volume hit 36 billion U.S. dollars.

Goods from other provinces covered about 30 percent of the total in 1993, while last year, the figure climbed to more than 43 percent, according to trade officials.

Shanghai Opens Downtown to Foreign Businesses
OW0807081795 Beijing XINHUA in English
0752 GMT 8 Jul 95

[FBIS Transcribed Text] Shanghai, July 8 (XINHUA) — The opening of the International Shopping Center near a traditional downtown temple in Shanghai, has provided overseas companies with an opportunity to enter the city's historical heart.

With a history of more than 500 years and an exquisite combination of ancient Chinese architecture and gardening, the temple served as a ritual area for the worship of the Town God, an immortal who has the responsibility of protecting Shanghai's residents.

Having become a tourist and shopping center since the founding of New China, the area so far is the most famous place of interest in the city and receives 450,000 visitors every day.

After the first multinational department store opened on June 28, a dozen foreigner-run stores specializing in gold, jewelry, jade articles, and the latest fashions, have appeared.

Lin Xuepeng, general manager of the center, said that the first 3,000 square-meter shopping area and 50 shop counters were sold in Hongkong and Singapore six months ago, followed by more than 20 companies from Hongkong, the U.S., Taiwan, New Zealand, and Singapore.

Lin noted that the international shopping center reflects an attempt by the city to attract investment, as well as to introducing advanced management techniques and well-known brands.

Business people from Korea, Israel, Japan, Thailand, and Malaysia have shown an interest in the remaining shop areas in the center, Lin said.

Taiwan-Funded Firms in Shanghai Show Profit

OW0907071395 *Beijing XINHUA in English*
0649 GMT 9 Jul 95

[FBIS Transcribed Text] Shanghai, July 9 (XINHUA) — Ninety percent of the Taiwan-funded firms operating in Shanghai have begun showing a profit, according to a statistics department in this largest industrial center of China.

Shanghai, by the end of the first quarter of this year, had approved 2,269 Taiwan-funded projects, involving contractual capital of 5.8 billion U.S. dollars, accounting for some 20 percent of all the overseas-funded projects and overseas capital there at that time.

Of all the Taiwan-funded projects, 149 involve an investment exceeding five million dollars each, 80 of them exceed 10 million dollars, and three exceed 100 million dollars.

Taiwan businessmen have started an increasing number of technology-intensive projects in the fields of machinery, electronics, metallurgy, and computers.

These business people also show great interests in tertiary industry, pouring 30 percent of their investment into real estate projects.

What is noteworthy is that some 20 large Taiwan consortiums are present in Shanghai, and have launched some 60 projects, accounting for 34 percent of all the investment from Taiwan.

The Pudong New Area, which has become a mecca for overseas investment, has approved 480 Taiwan-funded projects, involving a contractual capital exceeding one billion U.S. dollars, 20 and 35 percent of all the Taiwan-funded projects and capital respectively.

Global Auto, Component Firms To Attend Expo

HK0907081995 *Beijing CHINA DAILY (BUSINESS WEEKLY) in English* 9-15 Jul 95 p 2

[Article by Chang Weimin: "Auto Expo To Be Widely Attended"]

[FBIS Transcribed Text] The world's major automakers and components suppliers have all applied to participate in the Auto Parts World Development and China's Strategy Presentation, Seminars and Exhibition (Auto Parts PSE), to be held by the Ministry of Machinery Industry in October in Beijing.

The firms' registration confirms their interest in automotive components development and manufacturing in China, considered the world's largest untapped auto market since it has only 1.5 million sedans, an official from the ministry said.

Auto Parts PSE '95 aims to solicit advice and products to help the government forge a strategy for the next five years. It is expected to take a higher profile than the Family Car PSE the ministry held last year for a similar purpose, said the official.

In comparison with Family Car PSE — attended by some 20 foreign companies — Auto Parts PSE '95 will feature more seminars, more projects proposed and discussed, and more companies chosen as participants, he said.

Policies to encourage foreign investment and technology transfer in the components sector will also be announced at the exposition.

Many foreign automakers and auto parts manufacturers regard Auto Parts PSE as one of this year's major motor-related events.

China will reportedly set aside much more funds than before to beef up the components sector and to oil foreign co-operation in this field during the 1996-2000 period.

The portion of investment proposed by the ministry for the auto parts sector will be enlarged to 40 percent from the 20-percent figure set for the 1991-95 period.

Drawn up by the ministry, the ambitious programme must be approved by the central government.

The official said the existing auto parts sector without major renovations would not be able to support the motor industry that is expected to supply hundreds of millions of Chinese families with economic, affordable and environment-friendly cars.

China last year began preliminary work to accelerate the industry's growth in anticipation of family car ownership around the year 2010.

Other major measures to be taken during the Ninth Five-Year Plan period (1996-2000) include preparing preferential loans to develop and manufacture 25 key auto parts such as automatic transmission, suspension and air bags.

Latest government documents put restriction on foreign investment in manufacturing of electronic engine fuel injection systems.

The government will grant tax cuts to auto parts projects if they are listed in the State Plan, and will give them priority when considering foreign investment.

Auto parts projects with investment of \$24 million or less will enjoy simplified approval procedures to expedite production.

In another development, the government has decided to support automakers and trading firms to run co-operative ventures to foster the domestic market, especially for the distribution of sedans.

The trading joint ventures will be run in line with international conventions and become an integral part of the so-called "lean production" that focuses on efficiency and puts production strictly on the basis of diversifying market needs.

Network 'Great Step Forward' in Telecom Technology

HK0907081795 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 9-15 Jul 95 p 6

[Article by Li Wen: "Guangdong Telecom Network Advances"]

[FBIS Transcribed Text] Guangzhou—Already at the apex of China's telecommunications industry, Guangdong Province established China's first asynchronous transfer mode platform application network last week.

Developed and supplied by AT&T Network Systems of the United States, the platform is an advanced transmission and switching technology that supports voice, data and video traffic in multimedia service.

Nie Li, deputy director of the Commission on Science, Technology and Industry for National Defence, said the network marks a great step forward in China's pursuit of world-class telecom technology.

The combination of the asynchronous network with the existing synchronous digital hierarchy (SDH) system means the network can carry a wealth of information from various sources around the world.

The first 2.5 gigabyte/second SDH trunk line, which can handle more than 30,000 simultaneous calls on a pair of fibre-optic cables, started operation between Hong Kong and Guangdong at the end of last year.

"This (new asynchronous transfer mode network) is another example of AT&T's long-term commitment to China, and we are glad to work with China," said John Sai-Kai Ng, Vice-President of AT&T (China) Co Ltd.

The network was co-demonstrated here by Guangzhou HuaMei Communications Co and Guangdong Posts and Telecommunications Administration.

According to a contract with HuaMei in late 1994, AT&T provides ATM platform broadband network

plus engineering, installation and other services to Guangdong.

Agriculture

Jiang Chunyun Calls For Farmland Protection

OW0807091895 Beijing XINHUA Domestic Service in Chinese 1133 GMT 19 Jun 95

[By RENMIN RIBAO reporter Xia Jun (1115 8823) and XINHUA reporters Zhao Lianqing (6392 6647 1987) and Zhou Zhenfeng (0719 2182 0023)]

[FBIS Translated Text] Yangzhou, 19 Jun (XINHUA) — Addressing the closing of the national work conference on cultivated land protection today, Jiang Chunyun, member of the CPC Central Committee Political Bureau and Secretariat and vice premier of the State Council, said: With the fundamental and long-term interests of the whole nation, the survival and development of the contemporaries and descendants, and the overall situation of reform, development, and stability in mind, we must thoroughly understand the important economic, political, and social significance of strengthening land management and protection of existing cultivated land; foster a firm guiding ideology of developing all sectors and proceeding with all construction under the premise of cultivated land protection; and properly manage the land and protect the cultivated land with a strong sense of responsibility, mission, and urgency.

Jiang Chunyun said: A large population, small per capita share of cultivated land, and relative insufficiency in the resources of reserve land constitute the basic conditions of China. Strengthening the protection of cultivated land is not only vital to the long-term and stable development in agriculture, but also plays a decisive role in promoting sustained, rapid, and healthy growth in the national economy. Presently, China has a total of 1.43 billion mu of cultivated land, which means the per capita share of cultivated land is less than 1.2 mu, only one-fourth of the world's average. The per capita share of cultivated land in one-third of provinces, prefectures, and municipalities across the country is less than 1 mu. Currently, China's population still continues to grow, whereas the cultivated land dwindles by the day. Therefore, strengthening land management and strictly protecting cultivated land are of vital importance to the nation's survival and development and to the state's future and destiny. If we did not handle this matter properly, we would become sinners of history. The CPC Central Committee and State Council have always attached importance to the work of strengthening land management and protecting cultivated land and have issued a series of important decisions. Governments at all levels and people in all walks of life should enhance

their consciousness of land and cultivated land, unify their ideology and understanding with the directions and guidelines of the CPC Central Committee and State Council, and vigorously and actively do a good job in cultivated land protection.

Jiang Chunyun stressed: Under the premise of ensuring land for the "rice sack" and "vegetable basket" projects and preserving cultivated land necessary for the survival and development of descendants, all localities across the country and people from all walks of life should look ahead and behind, make careful calculations and a strict budget, and properly arrange the land for all kinds of construction in a planned and systematic manner. It is necessary to properly handle the relations between cultivated land protection and economic construction. The inner structure of agriculture must be appropriately readjusted and, under the premise of ensuring the growing area for basic farm produce such as grain, cotton, oil-bearing crops, and vegetable, we must truly forestall the occupation of a wide area of cultivated land, particularly grain fields.

Jiang Chunyun noted: It is necessary to take effective measures to carry out the work of cultivated land protection to the letter. A responsibility system of administrative chiefs should be strictly instituted to protect cultivated land and leading cadres' performance in this regard should be considered important when assessing their work. All localities should speed up the work of delimiting basic farmland protection areas and setting up and delimiting basic farmland and grain fields as soon as possible. The basic farmland and grain fields cannot be occupied once they are delimited. Those who violate the "Law on Land Management" and "Basic Farmland Protection Regulations" will be strictly dealt with according to laws. Governments at all levels should properly organize the compilation and revision of general urban programs and step up the revision of general programs for land use according to laws. Medium-sized and large cities should take the road of development with intensive development as the focus, whereas small cities should strictly control their scales of development, and small cities and towns should rationalize the layouts and maintain appropriate scales of their construction. The principle of practicing economy should also be upheld in using land in rural areas — without occupying any or occupying less land. It is necessary to strengthen the management of reviewing and approving the use of land for construction; local governments at various levels are not allowed to exceed their power in land-use approval. Greater efforts should be made to develop and reclaim land, integrate occupation of cultivated land with land development and reclamation, and maintain basic stability of cultivated land area across the country. We should

strengthen the enforcement of law on land management, and make sure that the law is observed and enforced strictly and that violations will be investigated.

Jiang Chunyun demanded: In the second half of this year, all provincial, autonomous regional, and municipal people's governments should conduct an overall and serious inspection of the use of land for construction in their respective areas, make emphatic checks, and correct the problems of illegal approval of land use, idle land, and unattended wasteland.

Official Predicts Good Summer Harvest

OW1007091695 Beijing XINHUA in English
0829 GMT 10 Jul 95

[FBIS Transcribed Text] Beijing, July 10 (XINHUA) — China is expected to get a good Summer grain output, some 1.7 billion kilograms up over the figure for last year, according to official sources.

An official from the Ministry of Agriculture said that the grain output this Summer is expected to reach 106 billion kilograms, while that of oil-bearing rape-seeds will hit a record 9 million tons, an increase of 20 percent over last year.

The official said that Summer harvesting of grain, primarily wheat, in most of the country has come to an end except the Xinjiang Uygur Autonomous Region and Gansu Province in northwest China.

He said that most of the major wheat producers in the country enjoyed favorable weather in the later period of wheat growing, especially in the last ten days of May.

"The actual harvest is better than expected," he said.

Statistics show that this year, the sowing area under Summer-harvested grain crops in the country is 31 million ha, 230,000 ha more than that last year.

The rape growing area this year is 6 million ha, up by more than one million ha over last year.

The official attributed the good grain output this Summer mainly to better use of agricultural technology and assistance from all government departments.

Summer grain output accounts for some 20 percent of a year's total grain production in the country in normal years and that of oil-bearing crops accounts for 47 percent.

According to an agricultural plan, China plans to produce some 45 million kilograms of grain this year, or an increase of one million kilograms.

Policy Guide Encourages Overseas Investment
HK0907081695 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 9-15 Jul 95 p 2

[Article by Wu Yunhe: "Technology Tapped for Agriculture Salvation"]

[FBIS Transcribed Text] The agriculture sector's insatiable appetite for foreign capital is gathering pace at the realization that technology is the key to overcoming the nation's food shortage.

Foreign funds and technology flow to the countryside will be directed to specific sectors included in an official policy guide encouraging overseas investment.

The 16-item agro-related project proposals give foreign investors a clearer picture of how to invest and make a good return, the Ministry of Agriculture says.

Ministry officials noted the policy guide, coupled with a pamphlet on agricultural project proposals in China worked out by the ministry, intends to introduce billions of US dollars and technology.

Agricultural sectors to welcome foreign technology and investment include comprehensive development programmes and quick-returning ones designed to suit the use of foreign soft and hard loans.

The comprehensive programmes are involved in reclamation of wasteland, abandoned hills and marsh areas and irrigation networks.

The quick-profiting project proposals are serving the government's goal to lure foreign investors into the production of crops and cash crops, forestry, animal medicine, fertilizers, pesticides, farm machines, vegetables, plastic film, animal feed, poultry and livestock breeding, fresh water and sea fishing, storage and transportation.

With the decision of some international financial institutions to stop providing soft loans to China's agriculture sector, ministry officials have been racking their brains to work out easier-to-profit projects to lure investment.

The pamphlet includes details on agricultural project proposals including project size, investment needed, designed mamuaucturing items and locations.

Agriculture Minister Liu Jian said the government plans to open more channels for foreign capital to supplement the traditional avenue of government loans.

Liu reiterated the seriousness of introducing foreign money and technology to help upgrade agriculture.

Although China has gained some positive results in operative knots with foreign partners, foreign funds and

technology flow into the agriculture sector lag far behind current demand.

At present, only about 5 per cent of the foreign investment and technology introduced to China has been used by the agricultural sectors, reflecting the vulnerable position of Chinese farmers in the country's economic circles, observers say.

Wu Yixia, Agriculture Vice Minister, noted his ministry has established co-operative relations with more than 100 countries and regions. Official and non-governmental channels have also been developed to introduce foreign capital.

China has introduced more than \$8 billion from the World Bank, Asian Development Bank, United Nations' organizations and foreign governments and companies to boost agricultural development.

Wu pointed out that China is suffering a capital shortage for upgrading its agricultural technology, which is especially important for alleviating poverty conditions in the country's northern and western landlocked areas.

China is not only responsible for feeding its 1.2 billion population but also provides a quantity of raw materials to both domestic and foreign industries, he added.

State Ships Reserve Corn to Southern Regions

OW1007004195 Beijing XINHUA Domestic Service in Chinese 0703 GMT 27 Jun 95

[By Zhao Peng (6392 7720)]

[FBIS Translated Excerpt] Beijing, 27 Jun (XINHUA) — To help various localities meet their fodder grain needs and keep their prices down, the State Council recently ordered the shipment of 1 million tonnes of state corn reserves from northeastern to southern regions. This task is being fulfilled through stepped up efforts. In the past few days, large quantities of northeast China's corn have entered Shanghaiguan by land and water around the clock on a grand scale. By 25 June, 410,000 tonnes of corn had been shipped to more than 10 provinces and municipalities. As a result, fodder grain prices in various localities began to fall after their recent rise.

Since the beginning of this year, a number of hog producing provinces in our country have experienced fodder grain shortages, resulting in the increase of corn prices. As an emergency move, the State Council decided to ship 1 million tonnes of state corn reserves from Liaoning, Jilin, Heilongjiang, and Inner Mongolia to southern regions, and put them on the market to stabilize prices and protect the development of the livestock industry. This is the first large-scale grain

shipment since the establishment of the state special grain reserve system. [passage omitted on mode of shipment]

Major grain recipients, including Sichuan, Hunan, Hubei, Shandong, and Jiangsu, are organizing efforts to put the acquired corn quickly on the market. This has put a brake on the rising corn prices in these provinces and caused their market prices to drop after the recent rise.

Agricultural Environment in Huaihe Basin Surveyed

*OW0807162695 Beijing XINHUA in English
1532 GMT 8 Jul 95*

[FBIS Transcribed Text] Beijing, July 8 (XINHUA) — China is now carrying out an investigation in agricultural environment in the Huaihe River Basin, a major agricultural area in the country.

The investigation will be completed by the end of this year.

An official with the Ministry of Agriculture said that the investigation aims at finding out the consequences of water pollution in the river, such as pollution of irrigation water, and harms to fishery and farming in the river basin.

The Huaihe River flows through Henan, Anhui and Jiangsu provinces, all large grain producers in the country.

With the rapid economic development in the past several years, water pollution becomes serious in the river basin. A survey of 593 drainage outlets show that more than half of 10 million cubic meters of sewage flowing into the river each day do not meet the state-level standard.

New, High-Yield Cotton Strain Popularized

*OW0807130095 Beijing XINHUA in English
1247 GMT 8 Jul 95*

[FBIS Transcribed Text] Nanjing, July 8 (XINHUA) — A new fine cotton strain bred in Siyang in east China's Jiangsu Province has become the most popularized cotton strain in the country since the beginning of the 1990s.

The Simian No. 3 cotton strain began to be grown in the Yellow River valley this year after having been widely planted in the Chang Jiang River valley, bringing the total planting area of the strain to over 10 million mu (670,000 ha).

The cotton strain has the properties of early maturity, high yield, disease and insect resistance, and adaptabil-

ity, according to the National Crop Strain Examination Committee.

Simian No.3's yield usually reaches 1,200-1,500 kg per ha, and hits 2,250 kg or more per ha at the best. The strain has good fiber quality, and is highly resistant of wilt, bollworms and aphids. The rate of its buds and bolls harmed by bollworms is 46.81 percent lower than HG-BRG-8, a standard comparable U.S. cotton strain.

Experts say the breeding and popularization of the strain initiates a new stage for China to improve the yield of its cotton strains and their resistance of diseases and insects. Meeting international standards, the strain will be one of those to be especially popularized in the ninth five-year plan period (1996-2000).

Last year, the 767,000 ha of Simian No. 3 grown in Jiangxi Province achieved an average yield over 1500 kg per ha, and the record was set in Duchang County with 3110 kg per ha, the highest in the Chang Jiang River valley.

Those of the strain planted in Shandong, Shanxi and Henan in the Yellow River valley have also achieved yields 10-20 percent more than local strains.

Chemical Fertilizer Output Hits Record High

*OW0807081895 Beijing XINHUA in English
0809 GMT 8 Jul 95*

[FBIS Transcribed Text] Qingdao, July 8 (XINHUA) — China's output of chemical fertilizer hit a record high during the January- to-June period, amounting to 56.5 million tons.

The six-month output exactly accounts for half of the target of 113 million tons set for the whole year.

The news comes from a national conference attended by factory directors and managers of large and medium-sized chemical plants, which was just closed here in Qingdao, an east coastal city in Shandong.

Large chemical plants across the country all ran at full capacity in the first half of the year, in a bid to meet the demand of farm production. Meanwhile, smaller ones operated at an average 92.5 percent of their capacity.

The production surge was boosted by a series of measures the Central government has taken to support agricultural development. The Ministry of Chemical Industry, for instance, has earmarked three billion yuan (353 million US dollars) as reserve fund for purchasing farm fertilizer and chemicals during the slack season.

In the later half of the year, further efforts will be made to improve the production capacity of small and

medium plants and help them turn out more high quality chemical fertilizer.

Anhui Reports All-Round Agricultural Growth

OW0807071295 Beijing XINHUA in English
0659 GMT 8 Jul 95

[FBIS Transcribed Text] Hefei, July 8 (XINHUA) — Anhui Province, a major grain producer in China, reported a big increase in grain production, livestock breeding, and fisheries, as well as in farmers' income in the first half of 1995.

A survey by the Provincial Rural Social and Economic Survey Team showed that Anhui's agricultural output is expected to total 31 billion yuan in the first half of 1995, up nearly 15.8 percent from the same period of 1994.

The average net income of rural residents is estimated at 550 yuan, a 36 percent increase.

Anhui's rapeseed production is projected at 1.34 million tons this year, 28.3 percent more than in 1994, as a result of higher per-hectare yield and increased acreage.

But, because of a serious drought, summer grain crop yield, primarily of wheat, dropped slightly to 7.25 million tons.

Pork, beef, and mutton production rose three percent in the first half of this year to 850,000 tons.

A rise in the price of animal by-products will enable Anhui's livestock breeding to continue to grow in the second half of this year.

By the end of June, farmers had raised 314 million fish on 430,000 hectares of ponds, and fish output was estimated at 280,000 tons from January through June, a 37 percent increase from the same period in 1994.

A provincial government official said that increased agricultural production was due largely to more investment in the farming sector.

The Provincial Government, for example, earmarked 232 million yuan for assistance to the sector in the first five months of 1995, roughly 66 percent more than in the same period in 1994, and spent 200 million yuan building water conservancy projects, thus reducing the effects of the drought that hit 700,000 hectares of farmland in spring.

Henan Builds Agricultural Market Network

OW0807135095 Beijing XINHUA in English
1339 GMT 8 Jul 95

[FBIS Transcribed Text] Zhengzhou, July 8 (XINHUA) — Central China's Henan Province, one of the country's

major grain producers, has set up a grain and edible oil market network that radiates out from the provincial capital of Zhengzhou.

According to officials from the department of grain under the provincial government, the Zhengzhou grain whole-sale market, which opened officially in October 1994 with the approval of the State Council, has had 384 registered members. By the end of 1994, the volume of business concluded in the market had reached 14.4 billion kg of grain. The grain price index on the market has become an important barometer for China's grain production and circulation.

At the same time, the province has also set up many regional and specialized markets.

The Zhumadian Zhongyuan Sesame Market, for example, which claims to be the largest in central China and which has a total of 176 business members registered, has established business ties with more than 1,400 firms both at home and in foreign countries such as Japan, the Republic of Korea and Singapore.

Last year, the Zhumadian market had a total turnover of 995,000 tons of sesame, with gross sales worth 1.9 billion yuan (about 240 million US dollars).

The province has set up more than 500 local grain and edible oils markets in all, of which 207 were set up just last year.

Henan Province To Enhance Grain Production

OW0907082595 Beijing XINHUA in English
0751 GMT 9 Jul 95

[FBIS Transcribed Text] Zhengzhou, July 9 (XINHUA) — The Agriculture Department of the central China province of Henan predicts its total grain yield will reach 39.63 billion kg by the year of 2000, making the province a grain supplier after its own supply and demand are balanced.

The province's grain yield is predicted to reach 4,470 kg per ha by 2000.

Henan's growth of grain production has much to do with the measures the provincial government has imposed to control the falling farmland area in recent years.

At present, the area of its farmland totalled 6.8 million ha, and it has a population of 90 million. With the province's industrialization drive, its farmland area is about two million ha less than four decades ago.

However, the department's statistics show that the average area of farmland occupied by industrial facilities annually has decreased. Last year, Henan lost 43,000 ha

of its farmland, while the average figure from 1952 to 1987 was 53,000 ha.

It is estimated the province will control its population at 96 million by 2000, and its farmland area at seven million ha.

With its 190,000 ha uncultivated land, Henan plans to open up 40,000 ha by 2000, which will add 150 million

kg to the province's annual grain production. Some 2.4 million of its 4.4 million ha of low-yielding grain fields are expected to be transformed so as to score an increase of 4.4 billion kg. Moreover, the application of new farming techniques will increase the multiple crop index from the present 175 percent to 180 percent, adding 676 million kg more of Henan's annual grain yield.

Southwest Region

Commentary on Inner Mongolia's Land System

SK1007084495 *Hohhot NEIMENGGU RIBAO*
in Chinese 25 Jun 95 p 1

[By reporters Niu Zhiqiang (3662 1807 1730) and Wang Qing (3769 7230): "Commentary on Reform of Land Utilization System"]

[FBIS Translated Text] With an area of 1.18 million square kilometers, our region is vast in territory and famous for its wooded areas in the east, its iron reserves in the west, its grain output in the south, and its animal husbandry in the north. Its abundant natural resources, both on earth and underground, have been the admiration of the world. In 1993, Baotou, a city of deer, was the first in the entire region to auction its state-owned land utilization right. When clearly seeing the auction, the people suddenly came to realize that the land under their feet was valuable property and could be transformed into a gigantic economic advantage.

Land is the most important property in the country. Before the reform and opening up policies were introduced, land had been a restricted zone, and urban state-owned land was delimited under the unitary administrative system. In the late 1980's, Shenzhen and Shanghai took the lead in auctioning land through public bidding, thus creating a new system for distributing land by market means. After that, the reform of the land utilization system was comprehensively conducted throughout the entire country. Income paid for using land totals 123.1 billion yuan. The input of earnings from land injects vitality into coastal developed cities and the town and township sector of the economy, and creates a miracle that the people can fix their eyes on. The south wind is blowing north. The spring breeze of reform is gradually blowing all over the grasslands, starting from Daxing'anling in the east to the Ruoshui River banks in the west. The idea of using market means to distribute land resources has taken root in the hearts of the people. The reform of the land utilization system, with the focus on expanding the scale of selling state-owned land utilization rights, has comprehensively been conducted. In 1990, our region started to reform the land utilization system on a trial basis. As of 1994, the region sold rights to use 3,130 plots of land surpassing 1,160 hectares in total; earned 94 million yuan from sales of land, including money not paid the previous years; and earned more than 29 million yuan from the paid transfer of land utilization rights. Profit from land exceeded 100 million yuan. Then the region began to dramatically change its land management system from simple land resource management to management of both land resources and land property.

However, our region still lags behind developed provinces and regions as regards the paying for the use of land. Land supplied by sales accounts for less than 1 percent of the total land supplied in the entire region. On the one hand, our region faces grim financial difficulties; on the other, our region has failed to better develop the land market, a key financial resource. Many economic activities have been restricted and obstructed by the stagnant development of the land market, a basic production factor market. Allowing land, which is regarded as a key production factor and a special commodity, to enter the markets has become an urgent demand for industrial, agricultural, urban, and rural reform.

However, along with the development of the economy, the secret trade in land has constantly been brisk in the region. Without the approval of land departments or with applications for additional legal procedures, a large number of units and individuals in our region's urban areas privately sold, leased, or mortgaged land that was distributed to them for use, or cooperatively built houses on their land, earning much money from this. This is a kind of unlawful and abnormal land market. Each of the four cities of Hohhot, Baotou, Wuhai, and Chifeng annually earned more than 10 million yuan on average from the secret trade in land. The region earned more than 150 million yuan annually from this.

Since the beginning of 1990, our region has deeply reformed the land utilization system, with the cleanup and consolidation of the secret land trading market as the breakthrough point. Now, 60 of the region's 100 banners and counties (cities and districts) have cleared up and straightened out the secret land trading market. Of them, 15 have basically accomplished cleanup work. More than 40,000 unlawful land trading cases, totalling an area of 2.4 million square meters, have been cleared up; more than 15 million yuan worth of lost property have been withdrawn. This helps lay the foundation for deepening the reform of the land utilization system and for establishing a standard land market.

Land is a key resource and property of the country. Land management is the government's key function and its right. All foreign governments have exercised strict management of land occupation, utilization, and marketing activities. Through efforts made in the past years since 1987, land management organizations directly under the administrative offices and the governments have successively been established in our region's 12 banners and cities; 96 of the region's 100 banners and counties (cities and districts) established land management bureaus, and 618 of 1,554 towns and townships established land management stations (centers), basically forming a land management network covering four dif-

ferent levels of the region. The Bayannur League and Wuhai were ahead of others in the region in conducting a system of vertical leadership over land management. In this way, the transfer of land utilization rights is highly monopolized by governments, and the value of land is manifested on tangible markets. Ulan Hot temporarily graded its urban land and defined land prices so that the earnings from land gradually became an important financial resource of the city government. In the course of conducting enterprise reform, Baotou carried out the method that rents for different grades of land are different, thus enlivening property and providing valuable funds for readjusting the enterprise structure and changing the enterprise management mechanism. Manzhouli, a border city, earned more than 30 million yuan from land, using the money to build infrastructural facilities, develop urban land, and reinvest in reserve land resources so this small border city can become increasingly more brilliant.

It is historical progress to change the way of distribution of land resources from administrative to market means. Over the past years, those localities where reforms of the land utilization system have been carried out have created more earnings from land annually. The income from sales of land has become a key financial resource of the governments of Hohhot, Baotou, and Wulan where land markets are brisk.

Our region is large in terms of land resources. Its land accounts for one eighth of the country's total. The state-owned property of urban areas surpasses 200 billion yuan. The potential for reforming the land utilization system is great. We should bring into full play the advantages of land resources, regard the land utilization right as a commodity and send it to markets, guarantee the paid use of land and the sales of land, and make earnings from land stably become large financial resources. This is another hard core for promoting our region's economic leap forward.

Editorial Report on Dalai Lama Announcement

OW0907144095

[FBIS Editorial Report] The following is a roundup of PRC media reaction to the Dalai Lama's announcement on the reincarnated child of the 10th Panchen Lama in India:

County Representatives View Announcement — Lhasa Tibet Television Network in Mandarin at 1200 GMT on 14 June in its "Regional News Hookup" program carries an under-minute announcer-read report over video on a forum held by Qamdo County recently in connection with the Dalai Lama's "unauthorized" announcement on the reincarnated child. According to the report, a total

of 71 people comprising members of the autonomous regional, prefectural, Qamdo County committees of the Chinese People's Political Consultative Conference, as well as some representatives from the industrial and commercial sectors, were present at the meeting. Participants at the meeting opined: "The Dalai clique has resorted to a new scheme after failing time and again to split the motherland in recent years. Its sudden and unauthorized announcement on the discovery of the reincarnated child of the 10th Panchen Lama, made in violation of historical convention and religious rituals, is absolutely illegal and invalid." The participants said that "Tibetan people will not agree to the Dalai clique's scheme to achieve its political aim and disrupt and undermine the search for the reincarnated child at a time when certain progress has been made in relevant work."

Buddhist Group Views Announcement — Lhasa XIZANG RIBAO in Chinese on 20 June on page 1 carries a 1,000-character "Statement of the Xigaze Prefectural Buddhist Association," issued on 8 June, on the Dalai Lama's unauthorized announcement on the reincarnated child. The statement was accompanied by a 200-character editorial note. The five-point statement outlined the historical convention for confirming the reincarnated child, and noted that the Dalai Lama's unauthorized announcement in India of his discovery of the reincarnated child is "illegal and invalid, and we resolutely will not recognize it." The statement also said that the "Dalai Lama should bear the historical responsibility for seriously disrupting the search for and confirmation of the reincarnated child of the Panchen Lama," and other acts. The editorial note said: "The Dalai Lama's evil act has incurred great indignation from people in Tibet's religious circles and the masses." It noted that various temples, monks, and people have written letters to the autonomous regional party committee and people's government or released statements on the issue, and it has decided to release the aforementioned statement to the public.

Radio Report Criticizes Announcement — Lhasa Tibet Television Network in Mandarin at 1200 GMT on 23 June in its "Regional News Hookup" program carries a 1.5-minute announcer-read report entitled "Splittism Will Not Enjoy Popular Support" in its "Television Forum." The report said: "The sudden announcement by the Dalai Lama in India on 14 May that a child in our region is the reincarnated Panchen is actually blaspheme against religious rituals and historical conventions. The Dalai Lama has continued his splittist activities under a religious banner. But of course, his evil act has met with opposition from the broad masses of people." It said: "The Dalai Lama has brazenly distorted Sakyamuni's creed, and even fabricated Buddhist scripture by stating

that devotees should dedicate themselves to the independence of Tibet. He has repeatedly included Tibet's independence in the religious doctrines he explained and publicized in his lectures on Buddhist scripture. In order to achieve the evil goal of splitting the motherland, the Dalai has again created disturbances over the issue of the Panchen Lama's reincarnated child. He has seriously disrupted the search for and confirmation of the reincarnated child of the 10th Panchen Lama, looked down on the authority and dignity of Tibet's Buddhist circles, trampled on the religious sentiment of nuns and devotees, violated the Panchen's consistent wish, and attempted to ruin the Panchen's glorious image of patriotism and religious devotion. His political scheme will not succeed."

Security Officials View Announcement — Lhasa Tibet Television Network in Mandarin at 1200 GMT on 6 July in its "Regional News Hookup" program carries a three-minute announcer-read report over video on a meeting in Lhasa on 5 July of Southwest China's five provinces and autonomous regions to coordinate judicial and public security work. According to the report, representatives from Sichuan, Yunnan, Guangxi, Guizhou, FAZHI RIBAO, and Tibet's judicial and public security fronts were present at the meeting. Raidi, executive deputy secretary of the Tibet autonomous regional party committee and chairman of the autonomous regional people's congress standing committee, addressed the meeting. He noted: "Quite a number of destabilizing factors still exist in Tibet due to certain social and historical factors. The root cause is the splittist and sabotage activities conducted by the Dalai clique." On the Dalai's unauthorized announcement on the reincarnated child of the Panchen Lama, Raidi said: "This is not a purely religious matter. The Dalai's act, which has violated historical convention and fixed rules as well as religious rituals, is an evil act carried out in disregard of state sovereignty and central authority to undermine national unity and Tibet's political stability by capitalizing on the issue of the Panchen's reincarnation, and it also has seriously disrupted the normal progress of work regarding the Panchen's reincarnation."

Tibet Procuratorate Work Report

OW0907111095 Lhasa XIZANG RIBAO in Chinese
13 Jun 95 p 2

[Work Report of the Tibet Autonomous Regional People's Procuratorate, delivered by Tudeng Caiwang, acting chief procurator of the Tibet Autonomous Regional People's Procuratorate, at the Third Session of the Sixth Tibet Autonomous Regional People's Congress on 20 May 1995]

[FBIS Translated Text] Fellow deputies,

I now submit a report on the major aspects of procuratorial work in 1994 for examination. I ask all Chinese People's Political Consultative Conference [CPPCC] members to express your opinions on this report.

In 1994, under the leadership of the autonomous regional party committee and the Supreme People's Procuratorate, under the supervision of the people's congress, and with the vigorous support of government and other relevant departments, procuratorial organs at all levels in our autonomous region closely centered around the overall status of work of the party, state, and region earnestly studied Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics and the guidelines of the Third and Fourth Plenary Sessions of the 14th CPC Central Committee; resolutely implemented the guidelines of the Third Forum on Work in Tibet, and the Sixth Enlarged Plenary Session of the Fourth Tibet Autonomous Regional CPC Committee; implemented the instructions of the party Central Committee and the autonomous regional party committee on launching an in-depth struggle against splittism and corruption; implemented the principle of "rigorously enforcing laws and focusing on handling cases" put forward by the Supreme People's Procuratorate; earnestly performed the function of legal supervision; rigorously cracked down on a small number of splittist elements and other offenders of all types of serious crimes according to law; concentrated on investigating such major economic crimes as graft and bribery, and criminal cases concerning rights violations and dereliction of duty; fully launched all types of procuratorial undertakings; further helped the procuratorial ranks augment themselves; and made active contributions to safeguarding unity in the motherland, opposing splittism, promoting ethnic unity, maintaining social stability, and promoting economic development.

1. Persevering in Severely Cracking Down on a Small Number of Splittist Elements and All Types of Serious Criminal Offenders According to Law, and Going All Out To Preserve Tibet's Social Stability

In line with the instructions of the autonomous regional party committee and the Supreme People's Procuratorate, procuratorial organs at all levels in our region always adhered to the priority task of severely cracking down on a small number of splittist elements and all types of serious economic criminal elements. In particular, we gained a better understanding of the nature, essence, principles, policies, and measures of the antisplittist struggle through studying the guidelines of the Third Forum on Work in Tibet and the Sixth Enlarged Plenary Session of the Fourth Tibet Autonomous

Regional CPC Committee. This enabled us to intensify our crackdowns on a small number of splittist elements. Last year, we accepted and handled requests from public security and state security organs for permission to arrest 1,266 criminals involved in 765 cases. Upon examination, we gave permission for the arrests of 1,249 people involved in 751 cases — an increase of 24.4 percent from the figures in the same period of last year. Upon examination, we brought indictments against 972 people involved in 586 cases. From the permission given for arrests and indictments made, we could see the following characteristics: (1) The situation concerning splittism and the antisplittist struggle remained grim, and counterrevolutionary cases continued to follow an upward trend. In 1994, permission was given to arrest 164 people involved in 44 counterrevolutionary cases — an increase respectively of 92.94 percent and 57.14 percent from the 85 people and 28 cases of last year. Splittist forces showed a tendency of spreading along communication lines, and into key cities and towns, as well as farming and pastoral zones. Splittist elements inside and outside the boundaries colluded with each other and conducted frequent activities. They conducted counterrevolutionary propaganda without restraint, and intensified their political infiltration against us. The situations in some temples were quite complicated. Of relevant permission given for arrests and indictments made, 87.53 percent were against 137 lamas and nuns who committed crimes. (2) Criminal cases increased, and the number of major and extraordinary cases remained high. Murdering for money, kidnapping and murdering hostages, smuggling, drug trafficking, buying and selling guns and ammunition, stealing and selling state cultural relics, and other major, extraordinary, and pernicious cases that seriously jeopardize public order increased instead of decreased. There were still a prominent number of larceny cases, and 46 percent of the arrests approved were on such cases. This had a serious effect on tranquility among the masses. (3) There was an increase in the number of crimes committed by youths, and 60 percent of the total number of permissions for arrests were for such crimes. Procuratorial organs at all levels in our region mainly adopted the following measures to handle the above situation: First, they adhered to the principle of handling major and extraordinary cases in a rigorous, fast, and serious manner according to law. Arrests and indictments were made rapidly according to law as long as the basic facts surrounding the crimes were clear, and the essential evidence conclusive. They did not bungle their chances when it came to procuratorial matters. Second, they insisted on intervening in the investigation and preliminary examination of major and extraordinary cases at an early date. They managed to approve

the arrests of, and indict, serious criminal offenders in a timely and accurate manner. Third, they rigorously ensured that they had sound facts and evidence, and that they did not pervert justice or connive at crimes, and guaranteed quality in crime handling, so that their cases could withstand the test of time. Fourth, they worked harder at appearing in court for public prosecution, fully utilized legal weapons, exposed crimes, punished criminals, and publicized the legal system. Fifth, under the unified leadership of party committees at all levels and in coordination with politics and laws and other departments, they actively participated in the specific struggle to improve all facets of public order and specific struggles, so that they could pool forces and build up a momentum for cracking down on criminal elements. Sixth, they watched out for events and problems when handling cases, and promptly made procuratorial suggestions upon discovering them so as to cut and prevent crimes. Through such work as mentioned above, they safeguarded unity in the motherland, opposed splittism, strengthened ethnic unity, ensured stability in Tibet's situation, and made contributions required of them.

2. Rigorously Punishing Perpetrators of Economic Crimes Such as Corruption and Bribery, Focusing on Investigating and Handling Major and Important Cases, and Deepening the Anticorruption Drive

Punishing corrupt elements and cracking down on serious economic crimes such as corruption and bribery are important measures for consolidating the socialist system, and an important link in the process of promoting honesty and diligence among party and government workers, and ensuring the smooth implementation of various major economic reform measures. These are also major issues of great concern to people. Procuratorial organs at all levels in our region firmly implemented the directives of the party Central Committee, the regional party committee, and the regional higher people's court; adhered to the principle of "grasping two links at the same time and paying equal attention to both"; and always made it a priority in their procuratorial work to fight economic crimes such as corruption and bribery in accordance with the principle of "being resolute, prudent, and precise." We operated in the following ways: (1) We actively opened up avenues for handling cases by paying close attention to tip-offs and grievances communicated through letters and personal visits. We vigorously inspired and preserved people's initiative in reporting corruption and bribery through the integration of special efforts with the mass line. (2) We implemented a multilevel case-management system under which each level exercised management over the subordinate level and was responsible for carrying out work in practice. (3) We reinforced work bodies charged with fighting

corruption and bribery by increasing the number of leading cadres and key operation-related cadres, and by improving technology and equipment as best as we could. (4) We took the initiative in working closely with relevant departments — discipline inspection, supervision, public security, and courts — in concentrating on investigating and handling major and important cases. (5) We upheld the system of reporting major and important cases to party committees and people's congresses for instructions, thus ensuring smooth progress in investigating and handling such cases. Last year, procuratorial organs throughout the region received tip-offs on 234 economic crime cases, conducted preliminary investigations into 109 cases involving 119 people, and filed 76 cases involving 84 people for further investigation, of which 42 were major and important cases involving 43 people. We concluded 22 assorted economic crime cases involving 26 people. Through the handling of cases, we retrieved 5.2 million yuan of economic losses for the state and collectives. The corruption and bribery cases that we investigated and handled had the following distinctive features:

First, the number of major cases investigated and handled continued to increase. Throughout the region, 40 major cases involving more than 10,000 yuan were investigated and handled, a number that was basically equal to the previous year's. Last year, procuratorial organs in Lhasa handled 11 corruption and bribery cases involving more than 10,000 yuan and 12 people in the Lhasa area, where a substantial number of cases occurred. Wang Yi, a cadre at the Gonggar Airport office of the People's Construction Bank of China subbranch in downtown Lhasa who made away with 200,000 yuan in public funds was arrested by procuratorial organs, and given a suspended death sentence in accordance with the law. Legal proceedings were initiated in court in connection with the embezzlement of 805,000 yuan by Zhang Yi, a cashier at the regional communications department-affiliated Lhasa Transport Company. Dai Feng, an accountant at the Doilungdegen County Post and Telecommunications Bureau who embezzled more than 80,000 yuan of public funds, was sentenced to 10 years in prison in accordance with the law.

Second, progress was made in investigating and handling important cases in which leading cadres at or above the county level committed crimes. Last year, six cadres at or above the county level were investigated and dealt with for crimes. Crimes perpetrated by leading cadres are very harmful. Procuratorial organs viewed the investigation and handling of important cases involving leading cadres at or above the county level as a crucial part of their efforts to deepen the anticorruption drive. They constantly improved their understand-

ing and solved ideological problems in the course of practice, forged ahead in the face of difficulties, and investigated and handled cases in which some influential leading cadres committed crimes. The autonomous regional procuratorate concentrated procuratorial manpower and leadership efforts on thoroughly investigating and concluding an important bribery case involving Xue Jingjie and Liu Shaomin, and meted out punishment in accordance with the law. Procuratorial organs in Lhasa investigated and prosecuted Hu Kaihua, a former deputy director of the Lhasa City Urban Construction Bureau who took 15,000 yuan in bribes, and his criminal responsibility was investigated in accordance with the law.

Third was the increase of criminal cases involving work personnel in party and government organs; judicial and administrative law-enforcement departments; and economic management departments. Last year, procuratorial organs throughout the region investigated 14 cases involving 19 people in one organ and three departments, representing one-third of corruption cases and economic crimes. Taking advantage of reform and opening up to trade power for money, some criminal elements kept changing their crime-committing means and turned more and more avaricious. Fu Xiaodong, a cashier with the autonomous regional recycling company, who absconded with 270,000 yuan of public funds, was subsequently arrested and convicted to death with a reprieve in accordance with the law.

Fourth is the investigation and punishment of criminal cases committed by legal persons. Ren Yongfa, general manager of the regional commercial office's shopping complex, who knowingly purchased 800 cartons of fake "Red Pagoda Mountain" cigarettes and illegally made a profit of 240,000 yuan out of a 2.9 million yuan unlawful business deal, has cost the enterprise 2.4 million yuan in direct economic loss. The case has been referred to court. Criminals in the Anduo Oil Depot who collectively embezzled 520,000 yuan from oil sales were being criminally investigated.

In seriously investigating and punishing corruption and economic crimes closely revolving around the central point of serving the economic construction, we have been keeping an watchful eye on new crimes, conditions, and issues emerging in the process of implementing major measures related to economic restructuring. We have been investigating cases involving state workers who made use of their job convenience to trade power for money, accept bribery, and embezzle state assets; cases involving smuggling, counterfeit trademarks, and sales of fake and shoddy merchandise committed by legal persons; and cases involving tax evasion and resistance in the process of taxation reform. In partic-

ular, we have investigated major crimes committed by leading cadres in state organs at and above county or department levels. Through investigations into economic crimes, we have been able to crack down on crimes, set up regulations and systems, plug loopholes, enhance preventive capability, recover economic losses for the state and the collectives, and play the role of promoting Tibet's economic construction and deepening the anti-corruption drive.

While the vast majority of leading cadres and work personnel in party and government organs in Tibet are clean, honest, and hard-working for the people, there are a small number of corrupt elements. Although they are very few in number, their serious harm to both the society and the prestige of the party and governments should never be underestimated. Procuratorial organs will continue to perform their duties conscientiously to ensure that the drive against corruption and economic crimes will go deeper.

3. Strengthening Law Supervision To Fully Unfold Various Procuratorial Tasks, and Pushing Forward Strict Law Enforcement

Supervision over investigative activities has been intensified. Last year, procuratorial organs throughout the region rejected according to law applications submitted by public security organs and state security organs for the arrest and prosecution of 17 people in 14 cases; disapproved applications for further investigations against 18 people; declined prosecution of 10 cases involving 11 people; and ordered the arrest and prosecution of 11 people. Supervision over investigations has led to stricter law enforcement in relevant departments. Upon discovery of major discrepancies in a case handled by the court martial of the Chengdu Military Region, in which Wu Yuanping was sentenced to death with a two-year reprieve for intentional homicide, the Shannan Procuratorate Subbureau, after ascertaining facts and evidence, arrested, according to law, the real murderer Gang Zhu and charged him in the people's court where he was convicted and sentenced to 15 years imprisonment. Justice was done when the man who was sentenced to death earlier was acquitted and discharged and the real murderer gathered into the net of the law.

Supervision over criminal proceedings and judgments focused on appeals against light sentences for serious crimes and the acquittal of the guilty parties. Last year, procuratorial organs across the region appealed against 17 cases involving 23 people, of which 10 cases involving 13 people were revised. Maintaining that granting a two-year reprieve to murderer Huang Qibin, who was convicted and sentenced to death for intentional homicide, was legally improper, the Nyirgchi Procuratorate

Subbureau filed an appeal for immediate execution. The appeal was supported by the autonomous regional people's procuratorate in accordance with law and the case is currently being rectified.

The work on law and discipline inspection concentrated on investigating criminal cases involving infringement of civil rights and malfeasance, including favoritism, extortion of confession by torture, wrongful confinement, neglect of duty, and major incidents involving criminal or civil liability. Last year, 69 clues related to law and discipline involving 94 people were received, with seven cases involving 12 people being investigated after filing. Of the three concluded cases involving seven people, two cases involving five people were referred to court where they were found guilty. Thirteen cases involving 18 people were handled without filing, while 35 cases involving 40 people were transferred to relevant departments for handling, of which four cases were recommended for further supervision. In addition to concluding the favoritism case involving Doubula, head of the preliminary inquiry section of Lhasa City Public Security Bureau's Chengguan Subbureau, the autonomous regional procuratorate also arrested and charged two rapists Cerenwangjie and Pubuceren, who were later convicted and sentenced to 15 years and 10 years of imprisonment, respectively. Investigation and punishment of law and discipline-related cases has safeguarded the citizens' democratic and personal rights, promoted democracy and the building of a legal system, and preserved the dignity of law.

Inspection of supervisory facilities focused on failure to enforce rulings, law violations, and other irregularities in handling commutations, release on parole, and medical parole. The supervisory department's practice of collecting 29,800 yuan as "deposits" from 11 prisoners, who were on medical parole pending trial, was rectified, with all monies being returned to members of their family. Actions were also taken to rectify 25 cases of over confinement, one case of exceeding medical parole period, and the four-year injustice suffered by Yang Shunying for alleged corruption. During their inspection of supervisory facilities, inspectors discovered that the Lhasa Public Security Bureau lacked funds to run its watch room. The situation was promptly reflected to the higher authorities and the problem was solved when the autonomous regional party committee and government made an immediate allocation.

Departments handling charges and appeals accepted and heard 60 appeals of all types. They adhered to the system of chief procurators receiving people who submit letters or make visits to voice grievances. They handled over 400 reported clues, 234, or 60 percent, of which were on economic cases such as graft and bribery. They

put four cases on file for reexamination, upholding the decisions made on two of them, but correcting the other two. Xu Qingshui, former finance and grain officer in Xuzhong District of Markam County, was sentenced to seven years in jail for graft and bribery. He refused to accept the judgment, but the original sentence was upheld by judicial organs despite repeated appeals for reexamination. Finally this year, the Markam County Court investigated the case thoroughly, and put right 14 years of injustice.

Procuratorial work concerning the administration of civilian cases had just started. The civil cases administration department of the autonomous regional procuratorate alone accepted and heard appeals against 21 cases, and upon examination, decided to put eight of them on file and appeal against the judgments on another two. The court amended the judgment on one case, are still examining another one, and issued an order for reexamination of yet another administrative case where an appeal against the relevant judgment would be made. The civil cases administration department also put forward procuratorial suggestion on one case, mediated another, and decided against putting three cases on file, but instead accepted relevant judgments and dropped the appeals.

Through supervision by law, we played an active role in guaranteeing the correct enforcement of state laws, in protecting the individual and democratic rights of civilians, in protecting the legitimate rights and interests of civilians and legal persons, and in promoting clean administration and the construction of the democratic and legal system.

4. Focusing on Constructing Procuratorates According to Law, Strictly Administering Procuratorial Work, and Further Improving Ourselves

Procuratorial organs throughout the region insisted on giving prominence to ideological construction in the process of augmenting the procuratorial ranks. Arrangements were made for the vast numbers of procuratorial cadres and police to conscientiously study Marxism-Leninism and Mao Zedong Thought, and to mentally prepare the cadres and police with Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics and the party's basic line. After July last year, and in accordance with the unified plans and arrangements of the regional party committee, procuratorial organs at all levels in our region made arrangements for procuratorial cadres and police to study the guidelines of the Third Forum on Work in Tibet and the Sixth Enlarged Plenary Session of the Fourth Tibet Autonomous Regional CPC Committee, and used the

guidelines of the "two sessions" as the guiding principle and guarantees for improving Tibet's procuratorial work. Through studying the guidelines of the "two sessions," we further increased ideological understanding, and significantly increased our dedication and sense of responsibility to our work. Party organizations of procuratorial organs at all levels made plans and guided the vast numbers of cadres and police to study the guidelines of the Third and Fourth Plenary Sessions of the 14th CPC Central Committee, state laws and statutes, and matters concerning the socialist market economy, as well as continuously improving their political and professional quality, so as to meet the demands of new situations and tasks. Leading party groups of the region's procuratorial organs strictly set demands on region-wide procuratorial organs and all procuratorial cadres and police in line with the disciplinary measures concerning "eight do's and eight do nots" for procuratorial members. At the same time, they focused on fighting corruption within their ranks in line with the demands of the Supreme People's Procuratorate and the autonomous regional party committee. Discipline inspection, political work, and personnel departments regarded the demands set in the guidelines of the "two sessions" on CPC members and cadres as the focus of their work, and inspected and supervised, as well as implemented, each of these demands. They ensured the implementation of all political discipline measures, and ensured that they were on the same political and ideological height as the party Central Committee. In accordance with the demands of the Fourth Plenary Session of the 14th CPC Central Committee, we adhered to the principle of democratic centralism, held meetings on specific subjects concerning democratic practice, and earnestly strengthened party building and the construction of leading bodies. Region-wide in 1994, 13 advanced collectives and 39 advanced individuals were commended and awarded by party organizations at all levels. Three advanced collectives and two advanced individuals were commended by the Supreme People's Procuratorate, and a comrade was named national advanced worker. Party organizations at all levels commended a group of procuratorial cadres and police who refused to accept bribes and declined free meals and invitations. Last year, the region dealt with seven procuratorial members involved in five discipline and law violation cases, and have concluded the cases by now. The number of cases was less than those of 1993.

To be well prepared for implementing the "Procurators' Law," the regional procuratorate, in light of the Supreme People's Procuratorate's instructions and requirements, has made great efforts to train cadres on job compatibility. Last year, the two training classes we held trained a total of 271 cadres, or 70 percent of those needing

training; the investigation and prosecution class trained 41 investigators and procurators; and party schools and other training classes trained more 40 or so procurators who attended those classes. The training has substantially heightened the procuratorial officers' political awareness and proficiency.

Our work in 1994 shows that, although we achieved some successes as a result of the correct guidance rendered by the regional party committee and the Supreme People's Procuratorate, the people's congress' supervision, and the strong support from the government and other departments concerned, certain problems and insufficiencies still persisted. The main problems were: Our efforts in investigating and prosecuting major corruption and bribery cases were uneven; we failed to fully focus our attention on leading investigators to take the initiative; our investigation was slow and we only completed investigating some of the many cases we had accepted; our procuratorial officers' competency and sense of enforcing the law fell short of the needs of the situation, indicating that their overall proficiency has to be improved; the supervision over law enforcement was still a weak link; and outdated equipment, inadequate budgets, antiquated means of transportation, and various other problems all hindered efficient law enforcement. The regional procuratorate's leading authorities, for example, failed to thoroughly study the new characteristics of economic crimes appearing under the new situation of establishing a socialist market economic system, and failed to explore new measures needed for dealing with the crime; and their guidance for lower-level procuratorates should be stronger. We will, however, take effective measures to address these problems actively.

5. Main Procuratorial Assignments in 1995

Our region's current satisfactory situation is marked by political stability, national solidarity, and fast economic growth. Under the regional party committee's guidance, people of all nationalities in the region are determined to usher in the region's 30th founding anniversary with outstanding achievements in all sectors, as exhorted by the Third Forum on Tibetan Affairs and by the sixth enlarged plenary session of the fourth regional party committee. Under this situation, our region's procuratorial departments' main assignments in 1995 are: **Guided by Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics as well as the party's basic line, we must — as required by the guidelines laid down by the 14th National CPC Congress and its third and fourth plenary sessions, by the Central Committee's Third Forum on Tibetan Affairs, by the sixth enlarged plenary session of the fourth regional party committee, and by the national**

and regional conferences on law enforcement — uphold the principle of "strictly enforcing the law and investigating all cases," reaffirm the guiding thought that we should serve reform, opening up, and economic construction; continue to give top priority to cracking down on the small number of separatists and all other felons and accomplish all procuratorial projects, focusing on investigating and handling corruption, bribery, and other economic crimes as well as on strengthening the law's supervisory role; and serve Tibet's development and stability by building stronger party organizations and contingents of procuratorial officers.

— We must not slacken our efforts while striving to accomplish the "top priorities." In accordance with the Supreme People's Procuratorate's requirement that "ethnic minority areas must attach great importance to cracking down on the crime of conducting national separatist activities and to firmly safeguarding the motherland's unification and national solidarity," we must continue to consider cracking down on the small number of separatists and felons as top procuratorial priorities. This year our autonomous region will mark its 30th founding anniversary. Hostile forces at home and abroad will never accept their defeat willingly, but will do everything they can to carry out their sabotage activities. Our people's procuratorial organs, as the people's tools to exercise dictatorship, must hold high the banner of rebuffing the enemy and protecting the people, and always be prepared to follow the party's call. First of all, we must absolutely not bypass the opportunity to win the battle in the procuratorial sector. Second, we must, under the consolidated leadership of party committees at various levels, take the initiative to work in coordination with all law enforcement departments so that a combined force can be formed to strike at all forms of crime. Third, we must, in accordance with the law, heavily, promptly, and strictly punish all forms of crime.

We must accomplish all priority projects firmly and effectively. Comrade Jiang Zemin recently admonished the party again that "we will collapse if we fail to improve the economy; and, even if we succeed in boosting the economy, we will still collapse if we fail to stop the widespread degeneration and rampant corruption and bribery or if we are seriously divorced from the masses." Early this year, the regional conference of chief procurators of prefectural and municipal procuratorates put forth a new plan for combating corruption and bribery more effectively and in a long-going and sustained manner. The conference called on all procuratorial offices in the region to intensify their efforts in cracking down on corruption and bribery. While performing our duties, we

must focus our attention on priority projects and make every effort to make our investigation more efficient. First of all, we must attach special importance to main organs and departments — party and government organs; and judicial, law enforcement and economic departments. Second, we must attach special importance to major cases — cases concerning corruption, bribery, massive smuggling, financial fraud, corporate crime, law bending, and embezzlement. Third, we must attach special importance to crimes committed within major trades and professions. Fourth, we must attach special importance to important targets, namely major criminal cases involving county- and higher-level cadres. All cases, no matter who is involved, must be thoroughly investigated and handled according to the law. Meanwhile, we must actively investigate cases about tax evasion, refusal to pay taxes, misuse of public funds, counterfeiting of trademarks, and falsifying value-added tax invoices. We should, in particular, actively investigate criminal cases cropping up from carrying out new reform measures so that we can ensure the implementation of the measures and maintain the order of the socialist market economy. All procuratorial officers must clearly understand their historical responsibilities under the new situation, work with higher morale, and go all out with daring. We must combat battle-weariness, the idea of relaxing, and fear; and make every effort to do away with all obstacles and interference so that we can firmly and effectively prosecute all cases of corruption and bribery.

— We must tighten the supervision over law enforcement and carry out all procuratorial projects in an all-round manner. The work of tightening law enforcement supervision should proceed under the basic principle of harshly and promptly cracking down on the small number of separatists and felons and serious economic crimes. Supervision over the execution of the criminal law should give priority to dealing with the problem of not coming down hard enough on the small number of separatists, serious felonies, and serious economic crimes. We must tighten supervision over investigation and adjudication, and contest verdicts when necessary. While exercising supervision over prisons, we must firmly stop the phenomena of exempting prisoners from labor, illegally reducing their penalty, granting them parole, releasing them for medical treatment, or admitting them through the front door and letting them out through the back door. We must seriously investigate cases about prison workers accepting bribes and committing crimes. Law and discipline supervision should focus on problems of extorting confession through torture, illegal incarceration, negligence of duty, law bending, embezzlement, infringement of rights, and misconduct. Supervision over civil administrative cases should give priority to checking unfair adjudication. Su-

pervision over appeals should give priority to addressing erroneous verdicts. All procuratorates must earnestly implement the "State Compensation Law."

We should build a stronger contingent of procuratorial officers through building stronger party organizations. We must tighten the management of procuratorial affairs and build stronger procuratorates on the basis of the law. Procuratorial officers must heighten their political awareness and professional competency through earnestly studying Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, the guidelines laid down by the Central Committee's Third Forum on Tibetan Affairs, and by the sixth enlarged plenary session of the fourth regional party committee, knowledge about the law, and knowledge about the socialist market economy. Procuratorial officers must firmly uphold the Marxist world outlook toward life, ethnicity, and religion; take a clear-cut stand to expose and denounce the Dalai clique's criminal conduct of dividing the motherland and undermining national solidarity; and staunchly maintain a high degree of political and ideological unity with the Central Committee and the regional party committee. We must tighten party and government discipline and tighten procuratorial operations. We must uphold the principles governing democratic centralism, build stronger party organizations and leading groups, and train cross-century personnel. All procuratorial officers must promote and expedite procuratorial affairs by following the example set by Comrade Kong Fansen and serving the people wholeheartedly. Procuratorial organs must strive to operate more diligently and ethically. In accordance with the Central Committee's instructions and the Supreme People's Procuratorate's requirements, we must fight corruption among ourselves, and strive to build a contingent of people's procurators who are politically staunch, professionally proficient, strict in discipline, ethical, honest, and impartial in executing the law.

We must intensify our efforts in training procuratorial officers and strive to upgrade their educational and professional proficiency. The "Procurators' Law" will soon be implemented. We should now consider studying, propagating, implementing, and following through the law as an important project to be accomplished; and we must codify the scientific management of procurators into law as quickly as possible.

Fellow deputies: The assignments now confronting our region's procuratorial organs are formidable but glorious. We must, under the leadership of the regional party committee and the Supreme People's Procuratorate, heighten our morale, work earnestly, accomplish various procuratorial projects with one heart and one mind, and continue to make constant efforts to con-

tribute our part to Tibet's stability and economic development.

North Region

Inner Mongolia Official Views State Economy

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[Article by Shen Shuji, vice chairman of the Inner Mongolia Autonomous Regional Government: "Render Great Support to Superior Enterprises, Invigorate State-Owned Economy as a Whole"]

[FBIS Translated Text] The focus of this year's economic reform is on deepening the reform of state-owned enterprises. This is an important policy decision of the party Central Committee and State Council. To Inner Mongolia, a region with a rather weak industrial foundation, implementing the central guidelines in close coordination with the region's reality, deepening the reform of state-owned enterprises, upgrading the overall quality of state-owned enterprises, and improving the quality and efficiency of economic growth not only constitute a very urgent and practical task, but also possess a very important significance in the economic development, social progress, stability, and national unity of the border area.

1. The Status and Role of State-Owned Enterprises

Inner Mongolia has seen fairly great developments in its nonstate-owned economies—such as the three types of foreign-funded enterprises, township enterprises, and individual and private enterprises—since the initiation of reform and opening up. However, due to numerous subjective and objective reasons, its development has been sluggish as compared with inland areas, and with coastal areas in particular. The state-owned economy still occupies a dominant position in terms of its proportion. In 1993, in industrial enterprises at and above township level, state-owned enterprises accounted for 25 percent in terms of total number; 70 percent in terms of the number of staff members and workers; 85 percent in terms of total value of assets; 84 percent in terms of sales income; and 88 percent in terms of profit and tax delivery, of which 90 percent were taxes. All the economic and technological norms of state-owned industrial enterprises were higher than those of enterprises of other ownerships; their overall economic efficiency continuously improved. In 1994, tax payments by state-owned enterprises increased 20.44 percent. This fully shows that state-owned enterprises, especially large and medium ones, not only constitute the backbone and pillar of Inner Mongolia's economy and the major source of its revenue, but are also the foundation for and key to realizing overall social stability. State-owned enterprises

have made tremendous contributions by supporting reform, opening up, economic development, and social development. In the future, they will continue to be the reliable foundation and major front on which economic development relies.

2. Major Problems in Current State-Owned Enterprises

With the establishment of the market economy system, the incompatibility of Inner Mongolia's state-owned industrial enterprises with market competition has become increasingly conspicuous. Major manifestations are: 1) the inflexible operating mechanism; 2) the irrational industrial composition, primitive product mix, and small scale in terms of the organizational structure of enterprises; 3) the acute shortage of technology, personnel, and funds; the backward equipment; and the low management level; 4) the lack of infrastructural facilities and the incomplete growth of the markets for essential elements of production; 5) the low overall economic efficiency; and 6) the heavy historical burdens, especially the debt burden, on enterprises. The asset liability ratio of state-owned enterprises whose stockpiles and capital have been checked is as high as 78.04 percent; the circulating funds they own are less than 6 percent. The interest paid by industrial enterprises every year is almost the same as the total profits and taxes they pay annually. Under such conditions, enterprises face great difficulties in participating in domestic and world market competition, and some even have difficulty in production and operation, which affects the life of some staff members and workers. We should pay much attention to this problem and solve it gradually in the process of deepening reform. Meanwhile, large changes have taken place in state-owned enterprises themselves. Some enterprises have entered the market fairly early, their mechanism is flexible and efficiency good, and they have earned a fairly good reputation in the domestic and even world market. According to statistics, about 45 percent of large and medium state-owned enterprises are successful or fairly successful; about 40 percent are mediocre; and about 15 percent have difficulty surviving because they have suffered deficits for a long time and their assets cannot pay off their debts for numerous reasons. How to enable mediocre enterprises to become better off and address the problem of enterprises having difficulty surviving represents a major task of Inner Mongolia's endeavor to deepen the reform of state-owned enterprises.

The second task is how to solve the problems of state-owned small enterprises that run with difficulties. This is a special situation in our region. The number and range of state-owned small enterprises is great, accounting for

about 86 percent of the total number of state-owned enterprises. Although the proportion of output value, total volume of assets, and profits and taxes realized by small enterprises are not high, most are enterprises that run with difficulties or fairly great difficulties; after offsetting the profits and deficits, they generally appear as deficit-incurring enterprises. In addition, workers of small enterprises are fairly great in number, accounting for 30 percent of the total number of workers of state-owned enterprises.

Most state-owned small enterprises are banner or county-run enterprises. To probe deeply into the reasons of their difficulties, we notice they are mainly small enterprises having no products with a finalized pattern, and that the enterprise quality is poor. During the planned economy period, enterprises could support themselves with great difficulty because production, supply, and marketing were all taken care of by the state, and most products were allocated in the region according to a mandatory plan. Now, when regional markets have been gradually linked with international and domestic markets, these kinds of enterprises become short of strength to contend with large domestic and international enterprises. First, the product grade of these enterprises is low, and they have great difficulty in selling the products they produce. Their products are stockpiled in the course of production. In addition to wasting valuable raw material, they have also tied up a great amount of working funds. In 1994, the region's sales rate for industrial products totalled only 90.97 percent, showing that the product structure of small enterprises could not meet market demands. The amount of funds tied up by the stockpiled finished products almost reached 50 percent of the entire industrial working funds, and the efficiency of the operation of funds was low. Second, there are duplications of low-level construction projects and duplication of production; many localities use administrative means to establish new plants, thus making the number of small dairy plants total over 100, small flour plants over 300, and small woolen sweater plants greatly increased. This leads to the happening of "raw material wars" one after another, such as the "cashmere war" and "sugar beet war"; the wars are becoming more acute. When small enterprises scramble for raw materials and funds, they make superior enterprises that produce brand-named products run at less than full capacity. This means the region cannot give play to the overall economic advantages, and gives rise to unfair competition such as adulterating quality products with inferior or fake ones, thus aggravating chaos in the circulation sphere and creating inflation. In every instance, the "raw materials war" made the state, enterprises, and the people suffer tremendous economic losses without

exception; the consequences were very serious. Third, the development of new products is slow, and it is hard to change the production line even though the sales of the new products may be good; it is difficult for a small plant to change its production line. Owing to ineffective operations and sales, even some products with good prospects cannot win a place in the market within a short period of time and cannot win for itself the advantage of economies of scale and economic efficiency. More often than not, these enterprises will emerge of themselves and perish of themselves, losing their chances again and again.

In addition, while handling the problems of ordering inferior enterprises to "shut down, suspend operation, amalgamate with other enterprises, switch to the manufacture of other products, or declare bankruptcy," we should take into account the reality that the floating population in our region is small in number; the tertiary industry is not well-developed; and the labor market as well as the social security system are not perfect. In order to avoid fairly serious social unrest, we should pay more attention to providing jobs for workers.

3. Enlightenment From the Practice of Reform

The path traversed by our region's woolen textile industry under the guidance of the principles and polices of reform and opening up during recent years merits our conscious recall and summation. The woolen textile industry is one of the region's pillar industries. For many years, the woolen textile industry has been in a difficult position. In addition to the aforementioned problems of common character, the unceasingly-occurring "wool war" makes each and every woolen textile plant take on a debt burden of several thousand yuan.

During the practice of deepening reform and invigorating state-owned enterprises, woolen textile enterprises have initially explored such a development manner: "Relying on state-owned large and medium enterprises and depending on scientific and technological progress to develop superior brand-name products; using quality products to attract foreign capital to develop the export-oriented economy; amalgamating inferior enterprises with superior ones and gaining scale merit at a fairly low cost; and accelerating technological transformation and participating in domestic and international competition by installing top-grade equipment." The reform practice of the Baotou Luyuan Cashmere Textile Group Company is one of the examples worth studying. This enterprise grew out of the Baotou City Textile Trading Center, and established the Luyuan Cashmere Sweater Plant in 1985. In a short span of eight years, it developed from a factory with manual operations into a large professionalized and internationalized

enterprise group with a strong ability to create foreign exchange through exports, and achieved the strategic change from single-product management to the integration of technology, industry and foreign trade, from the export of raw materials to the export of intensively processed serial products; from a unitary ownership system into multiple investors; and from a unitary production enterprise into one of specialization, conglomeration, and scale management. This enterprise was named the "national enterprise outstanding in exports and creating foreign exchange" for five years in a row. Its products won domestic and international grand prizes on several occasions, and in 1994 its products also won the "gold prize at the China Exposition of International Brand-Name Products." This group company has produced Luwang-brand cashmere serial products of three categories with 25 varieties for sales in all parts of the world. Its products occupy a fairly large share of the markets in Japan, Europe, and the United States; output doubled for years running; and economic efficiency shot up. In 1994, it created 63 million yuan in profits and over \$30 million in foreign exchange through export. In 1995, its development trend was still promising. The main work method is: First, this group company accurately discovered the breakthrough point, aimed accurately at the international market, set a high starting point, and sought breakthroughs by grasping products. By following the management strategy of "quality first and letting products of fine quality play a leading role," this enterprise extensively recruited technical personnel and relied on advanced technology and equipment to develop "Luwang-brand" cashmere exquisite products. Second, it seized the opportunity, developed an export-oriented economy, and did not lose time in making strides in scale management. It also adopted the three-in-one combination method of amalgamating with other enterprises, introducing foreign capital and conducting technological transformation. On the one hand, in the form of bearing debts, it successively amalgamated five money-losing state-owned enterprises in various trades, including the Baotou Woolen Textile Plant, the knitting-goods plant, and the wooden articles plant; assumed responsibility for a debt of 36.3 million yuan (nearly equivalent to the total amount of assets of the enterprises amalgamated); took over 3,454 workers; and at the same time obtained a factory site with an area of 200,000 square meters and related water, electricity, and other infrastructure facilities. On the other hand, it used quality products to attract foreign capital; conducted joint-investments and cooperative projects with Hong Kong, Taiwan, Japan, Thailand, Turkey, and other regions and countries, all the while keeping Chinese control over its stocks; and through introducing foreign capital, established eight limited-liability companies and thor-

oughly changed the mechanism of the enterprises its amalgamated. The introduction of foreign capital accelerated the input of technology. It conducted technological transformation of the enterprises amalgamated by introducing the world's top-grade advanced equipment from Japan, Italy, and Germany, and basically attained the goal of amalgamating one household; turning it into a joint venture; transforming it; and helping it change the line of production in an effort to attain the objective of scale management at a fairly low cost.

Third, it diversified the major investors and clarified property rights. Its enterprise managerial, operating, marketing, and financial systems were all carried out according to international practice. It instituted a leadership system whereby the board of directors exercised leadership, the board of supervisors exercised supervision and restrictions, and managers held the responsibilities, so that administrative intervention could be reduced to the minimum. Fourth, it attached importance to the enterprise's technological advance, personnel development, and internal management. After technical transformation, all the technology and equipment of the eight joint ventures reached the advanced levels of the world. A coordinated technical system under which work was divided according to specialties took shape.

The No. 2 Hohhot Woolen Mill established two branch companies, Qingsong and Qingniao, and developed a series of garments, with the "Shiqi-brand" suits as the representative. This helped the mother plant not only in improving the quality of its fine woolen fabrics but also in undertaking the intensive processing of fabrics. Meanwhile, taking the opportunity presented by the extended scale of good-quality products, the woolen mill took over, on a contract basis, the operation of the deficit-ridden Hohhot Suit General Plant, which was a medium-sized state-owned enterprise with nearly 1,000 staff members and workers, and which had by and large stopped production in 1993 due to mismanagement. Without any changes in its personnel and equipment, this contracted plant began to make profits in the same year thanks to the guidance of a superior enterprise, which spread its products and technology, and the transformation of the operating mechanism. The reform of the medium-sized state-owned enterprises in Hohhot and Baotou cities are developing in range and quality, and they have begun to assign the small enterprises and township enterprises in the impoverished banners and counties in other localities to produce the products of lower quality and to conduct the initial process of raw materials through the methods of establishing holding branches, cooperation, or leasing. The Eerduosi Sheep Wool Group of Ih Ju League made even bigger strides in reform. Developing beyond the textile industry, it has

become an enterprise group involving many trades and localities and having good reputation in the domestic and world markets.

The methods of large and medium-sized state-owned enterprises have taught us that a good enterprise could lead a large number of other enterprises, and have enabled us to understand more deeply the tremendous role the superior products and superior enterprises could play in an economic environment like ours.

First, the superior enterprises producing superior products are the backbone of the national economy and the major force to participate in the competition in the domestic and the world markets. Products are the decisive factor, and good products are the life of enterprises. It meets the requirements of the objective law of the market economy to provide great support to superior enterprises.

Second, superior enterprises constitute the backbone force to flexibly use the assets in stock and effectively utilize resources. Radiating their advantageous products, technology, personnel, and funds, the superior enterprises may effectively use the idle state-owned assets, promote the flow of manpower, materials, financial resources, and other essential elements of production to the enterprises with better efficiency, and then enable the market to play a role in optimizing the distribution of resources. The powerful strength and the demand for self-development of the superior enterprises have provided us a larger space and more choices to handle the "closure, suspension, merge, production change, and bankruptcy" of inferior enterprises, especially small enterprises. This generated better results than merely helping deficit-ridden enterprises to get rid of deficits. The five state-owned enterprises had depended on relief to survive and, on the brink of bankruptcy, had yielded no profits at all before they were merged to the Liyuan Plant.

The keeping aside of the state-owned assets which is in the form of material objects, the rapid loss of the value of assets, and the insecurity of the living of workers are not only the heavy financial burdens but are also the destabilizing factors. After changing the "name" and the "ownership," the existing assets can be reorganized, the essential production factors move to superior enterprises, and the assets can be retained and put into operation to produce efficiency, thus the value of state-owned assets can be maintained and increased. The debts will be gradually dissolved every year, the living standards as well as the housing conditions of workers can be greatly improved, and reform can win workers' support. After amalgamation, superior enterprises will not be worn out. According

to a summation given by a key enterprise which had been amalgamated, the benefits it received were: It expanded the production scale with the lowest cost and enhanced the ratio of products in the market and the efficiency; offset the factor of price rise of raw materials with the advantages of the economy of scale; gained a big batch of management cadres, technical cadres, and skilled workers, and greatly shortened the time for training these workers to assume posts. After amalgamation, superior enterprises may greatly expand production and operation and may grow rapidly. By so doing, satisfactory reform achievements can be obtained from the three parties, namely: enterprises that want to amalgamate other enterprises, enterprises that have been amalgamated, and workers.

Third, the development of superior enterprises may accelerate structural readjustment, and it is a reliable support for optimizing the structures of products, industries, and enterprise organizations. Supporting the development of superior enterprises is conducive to expanding the scale of competitive products, promoting the development of pillar industries, and bringing along the readjustment of product mix and the industrial structure; through various forms such as amalgamation, co-operation, management of assets on a commission basis, leasing on a contract basis, stock control or purchase of shares, spreading of products, and establishment of satellite plants, superior enterprises may integrate the related enterprises with their assets and products to form enterprise groups or communities of interest and to form the advantages of division of work and cooperation on the basis of specialization and of the economy of scale. This is conducive to the invigoration of the state economy in the entirety, social stability and smooth transition in the course of reorganizing the enterprise structure.

Fourth, superior enterprises may bring along the development of export-oriented economy in a locality and are conducive to carrying out economic and technological cooperation at home and abroad.

Fifth, the development of superior enterprises is also conducive to changing the form of economic growth from establishing new projects to tapping internal potential. Conducting technological transformation in superior enterprises is the best way to invest a little but yield a lot.

In short, vigorously supporting the development of superior enterprises is advantageous to raising the efficiency of the economy of scale of a locality, the efficiency of scientific and technological progress, and the efficiency of structural optimization and is the effective way to invigorate the entire national economy and raise the overall quality and efficiency of national economy.

4. The Thinking of Deepening Reform

In the course of deepening reform of state-owned enterprises, we think we should gradually popularize the general experience of the woolen textile industry to the major industries in the region such as the metallurgical, dairy products, foodstuffs, electronics, and machinery industries.

An idea that can be initially formed for reform is as follows: The state-owned industries across the autonomous region should persistently work hard for a longer period to pave a road of industrial development by optimizing the structure and by relying on the products with competitiveness and the standardized enterprises with strong points to open markets at home and abroad, to broaden the market competitiveness of enterprises as a whole, to bring along the development of medium-sized and small enterprises, and to merge the eliminated enterprises or to provide financial support for them.

In order to fulfill the strategic target, we should start our work with the two aspects—including government function and enterprise conduct—and should do a good job in breaking them down and grasping implementation, respectively. In the course of reform, special attention should be paid to handling the following several issues:

A. We should get out of the out-dated idea of talking on strong points with natural resources. By proceeding from market demands and the local conditions, we should examine and decide by seeking truth from facts the best pattern of local economic structure; further clearly define local pillar industries; and decide the focal point and orientation of organizing enterprise groups.

B. We should arrange the state-owned enterprises in order of their capability to suit themselves to markets and conduct classified guidance by distinguishing the conditions. We should promote the transformation of the state-owned enterprises by adopting the method of grasping the two ends to bring along the middle. First, we should relax the restrictions on the good aspects, which means to go all out to develop enterprises with strong points. Second, we should carry out contraction at the poor aspects. By regarding the reform of property right systems as a mainstay and according to the principle of "three advantages," small enterprises should boldly conduct reform and exploration. By regarding as main styles the systems of contracting, rent, auction, shareholding, and cooperation, these small enterprises may accept shares or offer rent and sale if suitable to them. By suiting their measures to local and plant conditions and according to the will of the broad masses of staff members and workers, these small enterprises may select the reform style that is suitable to them. However, any style that has been adopted by these

small enterprises, first, should be favorable for switching losses to profits; second, should promote enterprise with weak points to draw close to those with strong points; and third, should make good job arrangements for staff members and workers. As for some enterprises in the middle state, we should promote them to achieve transformation in the course of dynamic development so as to maintain the basic stability of society.

C. We should carry out corresponding transformation in the guiding ideology for work and place the work emphasis on supporting enterprises with strong points. We should emphatically enforce special policies among enterprises with strong points in the fields of policies on industries, of the allocation of natural resources, and of optimizing the external conditions of enterprises so as to enable them to achieve development and growth as soon as possible. Meanwhile, through the spreading of radiation exerted by the enterprises with strong points among small enterprises, we should gradually establish enterprise groups and benefit communities with products with competitiveness as a backing and with enterprises with strong points as a leading so as to bring along the rational circulation of essential factors of production and the reorganization of asset stock as well as to promote structural optimization. For this, currently we should do a good job in grasping the following three issues: First, by regarding markets as a guiding orientation and according to the market demands and market occupying extent, we should clearly define the namelist of "seeded players" of enterprises with strong points and those hopeful to become superior enterprises so as to enable them to continuously optimize and renew themselves in the course of dynamic development. In acknowledging the "enterprises with strong points," we should give more rational and more scientific definition to them and should set different standards of definitions for enterprises in different industries and trades as well as in different localities. We assume that enterprises with strong points should possess in general the following five conditions: 1) They conform with the state policies on industries and are local pillar industries. 2) They have a certain economic scale and are local enterprises that have handed over a large amount of taxes and profits to the state. 3) Their products are famous trademark ones, are competitive, and are high in the market occupying rate. 4) Their technical and economic targets in various fields are advanced, their management is better, their leading bodies are capable, and they are the vanguards of local industries and trades.

5) Enterprises which lack the necessary conditions for the time being, but have development potential and can be promoted within a short time. Second, we should draw up the plan for the development of superior en-

terprises and annual dovetailed plans for its implementation. We should proceed from reality in doing everything, and include each enterprise's specific work for change of system, reorganization, technical transformation, and strengthened management in its plans for development targets, marketing strategy, management escalation, new product development, scientific research, and quality upgrading. Third, the personnel structure of superior enterprises should all the more be optimized continuously. The first work is to establish a good leading body of the enterprises, the second, to provide training for enterprise managers and its staff and workers, and the third, to generously award the personnel who have made outstanding contributions to the enterprise.

D. We should support superior enterprises by supporting the development of highly competitive products. We should achieve a breakthrough in products, implement the brand-name strategy, and cultivate brand-name products to lead the improvement of enterprise quality. To this end, we should meticulously formulate the plan for creating brand-names and implement them year by year in a coordinated manner. Preferential external conditions and policies should be provided to brand-names, and a good social environment where concepts and theories on brand-names, industrial policies, funds, legal system, social projects, cultural orientation, and concepts on nationalities are provided should be created for the survival and development of brand-name products. Implementation of the brand-name strategy should be channeled to the track of the legal system, and efforts should be made to create brand-names in conducting reform and opening up, in achieving improvement in three aspects and strengthening in one aspect, in developing the economy of scale, and in testing the practice of market competition. We should establish effective mechanisms of incentive and supervision to encourage enterprises to develop brand-name products and become superior enterprises.

E. We should manage well the relations among government behavior, enterprise behavior, and market guidance. In the process of establishing the socialist market economy system, governments at all levels and their functional departments should regard economic restructuring, implementation of the brand-name strategy, support to the development of superior enterprises, and invigoration of the overall state-owned economy as a major task to rejuvenate the local economy. This is what local governments should be devoted to and achieve success in. However, as enterprises constitute the mainstay of the market economy, government functions must be separated from business management, and enterprises' operating mechanism must be changed, so that enterprises will become independent and major participants

in the market competition. Enterprises should make a conscious effort to create brand-name products and become superior enterprises. Meanwhile, we should note that brand-names and superior enterprises are not a self-proclaimed or given title, still less one that can be bought with money. Enterprises and products cannot remain good or bad forever, they are constantly tested by the market.

F. We should emancipate our minds, update our concepts, and be devoted to invigorating the entire state-owned economy. The goal of China's economic reform is to establish the socialist market economy system. In the intense competition of the market economy, it is an objective law that superior enterprises survive while inferior ones are eliminated, and it is absolutely impossible for us to invigorate every enterprise. This pinpoints the difference of the market economy from the traditional planned economy. We should look for a better way not only to help enterprises establish a mechanism for selecting the superior and eliminating the inferior but also to absorb the eliminated enterprises, so that a stable transition can be realized. We should truly enable enterprises that are to survive to live better and determine that those that are to die, die, so that the entire state-owned economy can be invigorated.

Northeast Region

Liaoning's Dalian Elects New Leaders 24 Jun

SK0907064795 Shenyang LIAONING RIBAO
in Chinese 28 Jun 95 p 1

[By reporter Liu Zhenyuan (0491 6966 3293): "New Leaders Are Elected at the Eighth Dalian City CPC Committee"]

[FBIS Translated Text] At the first plenary session of the eighth Dalian city CPC Committee held on 24 June, new members of the Standing Committee of the city party committee were elected; and Yu Xuexiang [0060 1331 4382] was appointed secretary of the Dalian city party committee. Bo Xilai [5631 3556 0171], Lin Qingmin [2651 1987 3046], Wang Youwei [3769 2589 3634], and Fu Yudian [0265 3022 3013] were appointed deputy secretaries.

At the first plenary meeting of the Dalian city discipline inspection commission held on 24 June, Wang Xizhi [3769 1585 2535] was appointed secretary of the city discipline inspection commission.

Liaoning Views Achievements in Land Management

SK0807080295 Shenyang LIAONING RIBAO
in Chinese 25 Jun 95 p 1

[FBIS Translated Text] Since the promulgation of the "land management law" nine years ago, the land man-

agement departments at all levels across the province have conscientiously carried out the duties and responsibilities vested by law and the government, implemented the basic national policy of "cherishing and rationally using every inch of land and realistically protecting the cultivated land," deepened reform, strengthened management, and achieved noticeable achievements in all fields of endeavor.

We have extensively conducted propaganda on the "land management law" in an effort to make the basic national policy strike roots in the hearts of the people.

We have persisted in paying simultaneous attention to "economizing in the use of land" and "broadening the sources of cultivated land" so as to stabilize availability of arable land. Land management departments at all level have conscientiously implemented the "land management law." Since 1987, the province as a whole has economized on the use of land totaling 200,000 mu, of which, 150,000 mu are cultivated lands, and developed 1.2 million mu of lands, of which, 540,000 mu are cultivated lands, and succeeded in enabling the province to basically maintain a good trend of striking a balance between the increase and decrease of cultivated lands (excluding the adjustment of internal agricultural structure).

We have removed the limit on basic farmlands and protected the "life security fields." The provincial land management bureau and the agricultural department jointly issued a "circular on paying close attention to carrying out the work of delimiting the basic farmlands" at the end of last year, decomposed the province's target of protecting 51 million mu of basic farmlands to all cities, and the cities also decomposed their targets to counties and townships. So far, 32 counties (cities and districts) across the province have completed this work, delimiting a total of 40 million mu of basic farmlands, accounting for 80 percent of the total cultivated lands that should be protected.

We have deepened "land reform," implemented the method of paying for the use of lands, and given full play to the efficiency of the land assets. At present, reform of the land-use system has been extensively practiced throughout the province, and the use of lands has been changed from being without pay, time limit, and circulation into one with pay, time limit, and circulation. In 14 cities under the jurisdiction of the province and about 80 percent of cities (counties), the use of land for business purposes and the use of land by three types of foreign-funded enterprises were carried out in the form of transfers. The connotation of the paid utilization of lands has been unceasingly developed in range and depth, and this practice has

been gradually spread to originally allocated lands in cities and towns and collective lands in rural areas. The form of transfer has transited from unitary agreements to tenders and auctions. Income from land has increased every year. According to incomplete statistics, over the past few years, the province has transferred 28,000 land-use rights, involving an area of 4,728 hectares, and the land income amounted to 5 billion yuan.

We have cleared land for construction purposes and gradually standardized the land market. So far, the whole province has cleared 280,000 pieces of land covering an area of 110,000 mu for construction projects; investigated and checked 4,800 cases on illegal use of land, handled 2,400 cases on making up for the missed land-use procedures and 330,000 cases on land registration involving an area of 1.3 million mu, of which 36,000 were cases on illegal misappropriation of land, covering an area of 140,000 mu. The use of land for construction purposes was gradually channeled to the path of using land in line with law, setting norms to keep the transfer of land-use rights within proper bounds, and managing the land in a scientific manner.

We have strengthened the building of legal system and perfected the supporting laws and regulations. The land management laws, regulations, and systems of our province have basically been established through nine years of efforts. The provincial people's congress, the provincial government, and all cities have successively issued a batch of coordinated land management laws and regulations such as the "Liaoning Provincial method for implementing the PRC's land management law," and the "provisional method of Liaoning Province on the sale and transfer of state-owned lands in cities and towns." Meanwhile, in view of the daily increasing cases on land disputes and violation of the land law, we have strengthened land supervision and inspection. During the past few years, we mediated and handled 1,560 cases on land disputes and investigated and handled 210,000 cases on violation of land law.

We have strengthened professional work and the land management basis. So far, the province and 13 cities, 51 counties (cities, districts) and 725 townships have basically completed overall plans for the use of land, and eight city-level plans have been approved for implementation by the provincial government. We have completed investigation of the right to use state-owned lands in cities and towns on 1,662 square km of land, which accounts for 73 percent of the total area of lands in cities and towns, and we have completed the mapping of the origin of 1,263 square km of lands, which is 55 percent of the total area of lands in cities and towns. We have issued a total of 711,000 certificates for the use of state-owned land, accounting for 80

percent of the total cases involving the use of lands. About 75 percent of villages across the province have conducted investigation on the origin of land and issued a total of 4.038 million copies of land-use certificates to the construction collectives. Ten land appraisal organs across the province obtained A-grade certificates of qualification from the state and 27 obtained B-grade,

and they appraised nearly 1,000 cases on land assets involving 10 billion yuan during the year.

The land management organs have been consolidated and strengthened and the unified management functions have been unceasingly enhanced.

Commentary Views Actions in Taiwan Strait

*OWI007033695 Beijing XINHUA Domestic Service
in Chinese 1149 GMT 7 Jul 95*

[Commentary by XINHUA reporter Zhao Wei (6392 5898): "Repeatedly Shooting and Killing Innocent People and Intentionally Creating Tension — What Is the Intent of the Taiwan Authorities?"]

[FBIS Translated Text] Chinese fishermen operating in the Taiwan Strait were often hit by bullets or gun shells from Taiwanese military units, and some fishermen were killed in a lamentable manner or were severely wounded and became disabled. This kind of unfortunate thing happened every year, but has become more frequent this year. The Taiwanese authorities' chieftain, Li Denghui [Li Teng-hui], has frequently gone abroad to advocate "two Chinas" or "one China and one Taiwan." He also repeatedly attended military exercises directed at the mainland, and personally howled challenges toward the mainland. On the other hand, Taiwan's military units opened fire on mainland fishermen to undermine the peaceful atmosphere of the strait. People cannot but ask: What is the intent of the Taiwan authorities?

According to the incomplete statistics of a concerned department, since the beginning of the 1990's, more than 50 fishermen who were performing normal fishing operations or sailing in the strait were killed by Taiwanese troops, and over 100 fishermen were wounded. From January to June this year alone, fishermen from China's coastal provinces were hit by Taiwanese military units 10 times, and 13 Chinese fishermen were either killed or wounded. Killing their own compatriots

in such a cruel way seriously hurts the feelings of compatriots on both sides of the strait. However, for a long time, the Taiwanese authorities not only have not taken any effective measures to stop such atrocities, but in fact have encouraged such things. As a result, such incidents have become more and more serious. People cannot but think that some people in Taiwan with ulterior motives are creating bloody incidents with the intent to stir up provocations. Nevertheless, they should know that the blood of their compatriots will not be wasted and the people's government will not sit and do nothing.

Early this year, General Secretary Jiang Zemin proposed in his speech on promoting the great cause of reunifying the motherland that the two sides of the strait should start talks on ending hostilities between the two sides as quickly as possible under the premise that there is only one China. This sincere and reasonable appeal has found an echo in the hearts of the people and was extensively endorsed by people both inside and outside the island. However, the Taiwanese authorities lack sincerity in ending the state of hostility between the two sides of the strait, and repeatedly created things which hurt the feelings of compatriots on both sides of the strait. The Taiwanese authorities even intentionally escalate hostility and create an atmosphere of contention. We cannot but point out that the Taiwanese authorities are playing with fire and creating danger.

The Taiwanese authorities should immediately stop such behavior and take a responsible attitude to properly handle the cases of killing fishermen on the other side of the strait.

**Reportage Covers Five-Point Resolution Proposal
Chairman Proposes Resolution**

*OWI007065295 Taipei LIEN-HO PAO in Chinese
6 Jul 95 p 2*

[FBIS Translated Text] At the Legislative Yuan yesterday, Mainland Affairs Council [MAC] Chairman Hsiao Wan-chang proposed a five-point resolution to ease tensions across the strait and assuage public anxiety caused by reports on a recent military maneuver on the mainland. Hsiao Wan-chang proposed that the government should: 1) reassure the public; 2) monitor and make an in-depth study of the development of cross-strait relations; 3) handle cross-strait relations calmly and continue bilateral exchanges; 4) remain alert to Mainland China's military moves; and 5) continue promoting pragmatic diplomacy in a steady manner while adhering to the unification policy.

As for the effect of strained cross-strait relations on Taiwan entrepreneurs with investments in the mainland, Hsiao Wan-chang said: According to the MAC's and other economic and trade departments' initial studies, the mainland will not confiscate Taiwan capital or impose an economic blockade on Taiwan investors when bilateral relations undergo changes. This is because implementing these measures affect not only Taiwan investors, but other foreign investors in the mainland. Furthermore, Mainland China has to pay a high price to carry out these measures.

Hsiao Wan-chang made these remarks when answering lawmakers, including Lu Hsiu-yi and Yeh Yao-peng, at the Legislative Yuan's joint meeting for the Internal Affairs, Judicial, and Legal Committees yesterday.

Kuomintang legislator Li Tsung-cheng held that we cannot win victories in pragmatic diplomacy and cross-strait relations at the same time. Our foreign affairs victory represents Mainland China's defeat and has resulted in the mainland's retaliation and public anxiety in Taiwan. Hsiao Wan-chang said: No divided nation has ever expelled the other from the international community. When the government increases its presence in the international community, the public should remain calm and not worry too much about Mainland China's reaction. We never felt intimidated in the past four decades of confrontation. Now, the international community recognizes our approach. We should not intimidate ourselves. He emphasized that cross-strait exchange is of mutual benefit. There is no need to panic if we can handle it well.

In answering legislator Chou Chuan's question on how to handle the stalemated cross-strait relations, Hsiao Wan-chang reiterated that there are ups and downs in developing cross-strait relations; however, we should

not be intimidated by Mainland China's reaction to our promotion of pragmatic diplomacy.

Legislator Li Chin-yung pointed out that we should not describe cross-strait relations as complementary and mutually beneficial since the two sides are like strange bedfellows who share the same bed but have different dreams. He doubted that Li Teng-hui's diplomatic efforts are conducive to the unification of China. Hsiao Wan-chang said it is appropriate to describe cross-strait relations as complementary and mutually beneficial.

More on Proposal

*OWI0707121595 Taipei Voice of Free China
in English 0200 GMT 7 Jul 95*

[FBIS Transcribed Text] The chairman of the cabinet-level Mainland Affairs Council [MAC] on Thursday [6 July] proposed a five-point resolution to ease the tensions across the Taiwan Strait. Vincent Hsiao, the chairman, proposed that the ROC [Republic of China] Government should do five things. First, it should assuage public anxiety; second, it should monitor the development of bilateral relations; third, handle bilateral relations in a calm manner; fourth, it should maintain communications with the PRC; and lastly, the government should remain alert to the possibility of any PRC military moves while pursuing a policy of unification and pragmatic diplomacy.

Tensions across the Taiwan Strait have been running high recently after the PRC reacted angrily to a visit by President Li Teng-hui to the United States. Reports of a mass military exercise have also contributed to rising tensions. Other legislators questioned Hsiao on the veracity of the government statement and the existence of a mainland military exercise. The government-controlled CHINA NEWS AGENCY has reported the existence of the military exercise but retracted the report after the stock market took a dive. Political observers said the retraction was a result of political pressure from the KMT [Kuomintang]. The KMT, they said, has an eye on the legislative election in December and the presidential election next year.

Hsiao on Thursday denied the existence of such a military exercise until he heard of it from the media. Later he acknowledged that the mainland has conducted such an exercise, but played it down by saying it was only a routine military exercise, and there was no need to panic. The MAC chairman urged people in Taiwan not to panic over a routine military exercise because the government keeps a close eye on any such moves. Hsiao said Taiwan will continue to adhere to a policy of unification, but at the same time it will practice pragmatic politics. He said this is necessary for

Taiwan's survival and will actually help the unification of China.

Taiwan Willing to Discuss Unification

OW0707115195 *Taipei Voice of Free China in English* 0200 GMT 7 Jul 95

[FBIS Transcribed Text] KMT [Kuomintang] Secretary General Hsu Shui-te said Taiwan would be willing to discuss unification with the mainland if Taiwan can be assured of its continued survival and development.

Chiang To Attend Reception on Capitol Hill

OW0807022495 *Taipei CNA in English*
0201 GMT 8 Jul 95

[By Y.C. Tsai]

[FBIS Transcribed Text] Taipei, July 7 (CNA) — Madame Chiang Kai-shek has accepted an official invitation to attend a reception on Washington's Capitol Hill on July 26 in recognition of her contributions to the friendly relationship between the Republic of China and the United States during World War II, an official with the Ministry of Foreign Affairs said Friday.

Tu Chou-seng, director of the ministry's North American Affairs Department, said the reception, an initiative of 29 US senators, including Majority Leader Bob Dole (R-Kan.) and Paul Simon (D-Ill.), will be held from 5 P.M. To 6 P.M.

In addition to all members of the US House of Representatives and Senate, other guests invited to the party include former US Presidents Gerald Ford and George Bush, First Lady Hillary Rodham Clinton and other high-ranking US Government officials, Tu elaborated.

Benjamin Lu, the head of the Taipei Economic and Cultural Representative Office in the United States, will also attend the party along with several other officials from that office, Tu noted.

The representative office will provide photos of Madame Chiang for the reception, he added. The photos were taken during Madame Chiang's visit to the United States during World War II.

Taiwan Signs Pact With U.S. Companies

Alliance Signed

OW0807101995 *Taipei CNA in English*
0857 GMT 8 Jul 95

[By Ed Shay & Debbie Kuo]

[FBIS Transcribed Text] Houston, July 7 (CNA) — Allison Engine Co. signed a strategic-alliance pact with Taiwan's Ministry of Economic Affairs Friday in

Indianapolis, paving the way for the U.S. company to tap the growing Asia-Pacific engine market.

Vice Economic Affairs Minister Yang Shih-chien and Allison Engine President M. Hudson signed the agreement, while Lt. Gov. Frank O'Bannon of Indiana and other state government officials witnessed the ceremony.

Under the agreement, Allison, a world-renowned aircraft and industrial engine maker, will relocate part of its production line in Taiwan and establish an Asia-Pacific business operations center there under a joint-venture program.

Established in 1915, Allison produces motors and generators for fighter planes, helicopters, boats and submarines. The strategic alliance is expected to give a boost to Taiwan's aerospace industry which is striving to develop its own engines for indigenous defense fighters, said a spokesman for the Taipei Economic and Cultural Office in Chicago.

Allison Engine was the 28th renowned foreign corporation to sign a strategic alliance agreement with Taiwan. The list includes Westinghouse, AT&T, Hewlett Packard, IBM, Siemens, ABB, DuPont, General Motors, General Electric, CSR, Framatome, Philips and Ciba-Geigy, among others.

Yang, heading a 20-member delegation of government officials and industry executives to the United States for a business promotion tour, signed similar strategic-alliance accords with California-based United Defense Co. last week and Dallas-based Electronic Data System (EDS) on Wednesday.

Laboratory Memorandum Reached

OW0807105695 *Taipei CNA in English*
0926 GMT 8 Jul 95

[By Ed Shay]

[FBIS Transcribed Text] Houston, July 7 (CNA) — Taiwan's Industrial Technology Research Institute (ITRI) and the U.S.-based Argonne National Laboratory signed a memorandum of understanding for cooperation in technological development Friday.

The memorandum, signed in Chicago, says that both parties agree to promote cooperation in the fields of industrial technology, research and development management, and technical training.

The agreement is valid for five years, and it may be extended by agreement between the two parties.

The memorandum was signed by ITRI President Chin-tay Shih and Argonne President Alan Schriesheim.

Deal Signed With Du Pont

OW0807105995 Taipei CNA in English
0943 GMT 8 Jul 95

[By Lilian Wu]

[FBIS Transcribed Text] Taipei, July 8 (CNA) — After two years of negotiations, Far Eastern Textile Ltd. and du Pont Friday [7 July] arrived at a US\$100 million joint-venture plan to produce high quality nylon.

Construction on the du Pont-Far Eastern production facility will begin August 8. The plant will be located in Kuanyin, Taoyuan County in northern Taiwan, and will be headed by Douglas Hsu, chairman and CEO of the Far Eastern Group.

Wei Yu-wen, du Pont Taiwan vice president, said that the cooperative agreement testifies to the superiority of Taiwan textile technology and will help the Taiwan textile industry to upgrade its position in the international market.

Despite a labor shortage and exodus of textile production overseas, the new plant will seek to use the most advanced spinning technology developed by du Pont to produce nylon 6.6, a high quality, multifunctional and high value-added nylon.

Wei said that regional demand is high for nylon 6.6, which is widely used in clothing, lingerie, swimming suits and panty hose. Taiwan and many Asia-Pacific states rely heavily on imports for the product.

After du Pont-Far Eastern begins production at the end of 1996, nylon 6.6 production will meet domestic demand and also be available for export.

du Pont is well known for its chemical products, man-made fibers and petrochemical products, while the Far Eastern Group has developed from textiles and department stores to cement, sea transportation and banking.

Li Urges People To Remain Confident

OW1007030595 Taipei CNA in English
0218 GMT 10 Jul 95

[By Sofia Wu]

[FBIS Transcribed Text] Taipei, July 9 (CNA) — President Li Teng-hui Sunday urged the people of Taiwan to remain confident in the country's vigor and strength and to never be panicked by Beijing's rhetoric or actions.

"It was an overreaction when reports of a Mainland Chinese military exercise caused a drop of more than 130 points in Taiwan's stock index earlier this month."

Li said in a speech on community development in Hsinchuan, Taipei county.

More than 400 county government officials, community leaders and representatives from labor unions, trade associations and social groups in the county attended the lecture.

Noting that the Republic of China [ROC] stands to benefit from its economic power, social vigor and can-do spirit, Li said the public should never lose confidence in Taiwan's bright future.

"The ROC has existed and stood firm on Taiwan," Li said, adding that this was the "cold reality" that nobody, including Beijing leaders, could ignore. "I hope all of my fellow countrymen will understand that existence is a value and a hope, and that they will always remain confident in our country's stability."

On relations with Mainland China, Li said, the two sides of the Taiwan Strait should give priority to maintaining stability in the region and avoid stirring feelings of anxiety or social unrest.

"The two sides should set aside their ideological differences and engage in peaceful, rational competition," Li said. "I hope Taiwan and Mainland China will gradually forge rapprochement and maintain friendly ties."

Earlier in the day, Li also addressed a meeting of the ROC jaycees at the Tamsui Commerce and Industry College in suburban Taipei.

In his speech, Li called on the jaycees to dedicate themselves to social services to help boost community development, which he said is the basis for building a "greater Taiwan."

"What I call 'community' is not regionalism in the traditional sense. Neither does it mean the development of a limited geographical space, nor a formalistic administrative organization," Li explained. "Community is a way of life in a democratic society where power belongs to the people. It's the basic unit for upgrading living standards while modern people pursue a better living environment."

Noting that democratic rule starts with community development based on a collective consciousness, Li said building a "greater Taiwan" means building a democratic Taiwan with an efficient, capable government, a diversified, mature industrial base and a stable, affluent society.

He further urged young business executives present at the meeting to help stop the trend of "extravagance" which he said has crept into society in recent years and

to revive the traditional Chinese virtues of thrift and diligence.

Official Says Media Causing Strained Ties

OW0707132395 Taipei TZU-LI WAN-PAO in Chinese
5 Jul 95 p 2

[FBIS Translated Text] This morning, government officials expressed their view that there is no reason for the public to worry too much about tensions across the strait caused by a recent military maneuver on the mainland. Vice Premier Hsu Li-te held that too many media reports have resulted in tensions across the strait. National Defense Minister Chiang Chung-ling said the mainland's military exercise was routine and there is no reason to worry about it.

A series of incidents straining relations across the strait occurred following President Li's U.S. visit and Premier Lien Chan's Europe visit. There are even rumors that Taiwan has to postpone its Asia Pacific operational center plan, due to Mainland China's boycott.

Before attending the Kuomintang Central Standing Committee meeting this morning, Hsu Li-te told the reporters that the Asia Pacific Operational center plan, which is aimed at transforming the Taiwan economy, will not be affected by cross-strait relations. Not only will we not slow down our pace, but we will speed up the plan. Hsu Li-te said he does not feel that the mainland is unwilling to cooperate in this matter. Commenting on cross-strait tensions, Hsu said because of too many media reports, relations across the strait have become strained, adding he sees nothing to be worried about.

Seminar Urges Enhancement of 'Private Dialogues'

OW0807033795 Taipei CNA in English
0108 GMT 8 Jul 95

[By Benjamin Yeh]

[FBIS Transcribed Text] Taipei, July 7 (CNA) — Participants at a seminar examining Taiwan's developmental path suggested on Friday that private dialogues between Taiwan and Mainland China be enhanced, a move they said would be in the interests of both sides.

It was one of a number of proposals presented during the five-day seminar, which was sponsored by the Policy Coordination Committee of the ruling Kuomintang [KMT].

President Li Teng-hui, in his capacity as KMT chairman, delivered a speech at the seminar's closing ceremony. He spoke highly of Taiwan citizens' abundant energy and work ethic, saying these attributes were

the main reasons behind the country's outstanding economic achievements and democratic reforms.

Participants at the seminar were divided into six panel groups, covering interior affairs, diplomatic affairs, cross-Taiwan strait ties, financial and banking affairs, and the general well-being of Taiwan.

As for Taiwan-Mainland China ties, some scholars recommended that a communications channel be set up to make sure that issues regarding bilateral ties are thrashed out and that more active steps are taken to promote more high-quality exchanges between the two sides.

They also urged the public not to overreact to Beijing's recent unilateral postponement of private Taiwan-mainland talks. Beijing in mid-June scrapped plans to hold scheduled high-level and technical talks with Taiwan following ROC [Republic of China] President Li Teng-hui's visit to the US and Premier Lien Chan's trip to Europe last month. Beijing viewed the visits as part of the ROC Government's efforts to create "two Chinas."

Taiwan Offers To Help Mainland Agriculture

OW0807033895 Taipei CNA in English
0126 GMT 8 Jul 95

[By Benjamin Yeh]

[FBIS Transcribed Text] Taipei, July 7 (CNA) — Despite Beijing's hostility toward Taipei, the ROC [Republic of China] Government remains committed to helping Mainland China develop its agricultural sector, a ranking Mainland Affairs Official said Friday.

Kao Kung-lian, vice chairman of the Mainland Affairs Council (MAC), told a press conference that the MAC has completed the draft of a bilateral agricultural-exchange policy.

Under the draft, Kao pointed out, a private institution will be set up to handle agricultural exchanges between the two sides, while details of the policy will be worked out by relevant government agencies.

Taiwan's experience in developing a small-farm regime will be transferred to the mainland, Kao said, adding that other highlights of the policy cover exchanges of agricultural personnel, expertise, and data.

The underpinnings of the plan, Kao explained, derive from President Li Teng-hui's statement at a national unification council meeting on April 8, when he proposed that Taiwan provide agricultural assistance to the mainland on grounds that "Chinese must help each other."

At the same time, Kao emphasized that while the ROC Government is pushing pragmatic diplomatic ties, it will not allow the cross-Taiwan Strait ties be jeopardized.

Kao pointed out that the government has taken over 100 measures to facilitate private cross-strait exchanges since the decades-old ban on family visits to Mainland China by Taiwan citizens was lifted on Nov. 2, 1987. "Every measure marks a step forward for closer ties between the two sides," Kao said.

Kao was apparently responding to charges by Beijing that Taipei is keen to push for an independent Taiwan. Enraged by President Li Teng-hui's "private" visit to the United States and Premier Lien Chan's trip to Europe last month, Beijing has unilaterally postponed private high-level and technical talks with Taipei.

Party To Launch 'Final Stage' of Primaries

OW1007030495 *Taipei CNA in English*
0200 GMT 10 Jul 95

[By Benjamin Yeh]

[FBIS Transcribed Text] Taipei, July 9 (CNA) — The Democratic Progressive Party (DPP), Taiwan's major opposition party, will kick off the second and final stage of its presidential primaries in the southeastern Taiwan city of Taitung on Sunday.

The second stage of primaries will feature a series of debates between the two men vying for the DPP presidential nomination — Hsu Hsin-liang, a former DPP chairman, and Peng Ming-ming, a former political science professor at National Taiwan University who has devoted his life to Taiwan's democratic development.

The two, who beat out two other candidates in the first-stage primaries, voiced confidence about their chances in the islandwide debates.

The first debate, on Sunday, is slated to begin at 7:30 P.M. and end at 9:00 P.M. Anyone 20 years old or over at the debate will be able to vote, via a "coin-counting machine," for their preferred candidate.

The DPP winner is expected to face a hard fight against the candidates from the ruling Kuomintang and the Chinese New Party [CNP] in the ROC's [Republic of China] first direct presidential election in March. Neither the KMT nor the CNP has chosen a candidate, however.

Official Welcomes Ramos' Remark on Li's Visit

OW0707142295 *Taipei CHUNG-YANG JIH-PAO*
in Chinese 6 Jul 95 p 1

[FBIS Translated Text] In answer to a reporter's question at a nationally televised news conference yesterday, foreign media reported that Philippines President

Fidel Ramos said that President Li Teng-hui is welcome to visit the Philippines at any time. Interviewed by reporters yesterday evening, Teng Pei-yin, director of the Ministry of Foreign Affairs [MOFA] East Asian and Pacific Department, said that MOFA welcomes this news.

However, Teng Pei-yin politely refused to answer such questions as when President Li's visit to the Philippines would be arranged, because the ministry has not yet received any report from our representative office in the Philippines.

An official from the presidential office also welcomed President Ramos's remarks. The official emphasized that we have maintained good relations with the Philippines. President Li was received by his Philippines counterpart during his private visit to the Philippines last year.

Relevant officials said: As to whether President Li will pay another visit to the Philippines, MOFA will submit its appraisal to President Li for a decision. At present, it is inappropriate to make any comments.

Manila Sending 45-Member Team to Taipei Meeting

OW1007025295 *Taipei CNA in English*
0132 GMT 10 Jul 95

[By Timothy Sun and Flor Wang]

[IS Transcribed Text] Manila, July 8 (CNA) — The Philippines will dispatch a 45-member delegation to attend the fourth ROC-Philippine ministerial economic cooperation meeting to be held July 17-19 in Taipei.

The official delegation will be led by Trade and Industry Minister Rizalino Navarro. Other members will include the Philippine vice agricultural and finance ministers, two members of the House of Representatives and a dozen provincial governors.

During the three days of meetings, officials of the two countries will hold panel discussions concerning laborers' issues, economic cooperation, and trade, investment, tourism, and agricultural exchanges.

Official Hails Mandela's Remarks on Taiwan

OW0807043095 *Taipei CNA in English*
0115 GMT 8 Jul 95

[By Y.C. Tsai]

[FBIS Transcribed Text] Taipei, July 7 (CNA) — South African President Nelson Mandela's pledge to maintain official diplomatic ties with the Republic of China [ROC] won kudos here Friday.

Du Ling, director of the Ministry of Foreign Affairs' African Affairs Department, expressed his admiration and respect for Mandela, saying that the South African president has kept to his promise not to break off relations with Taipei in favor of official ties with Beijing.

Du made the remarks at a press conference in response to reports that Mandela had told South African reporters in an interview on his flight from Japan to South Korea that South Africa was willing to establish official ties with Mainland China, but not at the expense of links with Taiwan.

Noting that this has been the consistent policy of the South African Government, Du pointed out that Mandela made a similar commitment to ROC President Li Teng-hui when Li attended Mandela's inauguration ceremony in Pretoria on May 10, 1994.

Du reiterated that the ROC Government hopes to forge official diplomatic ties with friendly countries, regardless of their relationships with Mainland China.

He also said the ministry will soon send out an official invitation to Mandela to visit Taiwan. "Mandela might come here in September at the earliest," he noted.

A CNA dispatch from Johannesburg last week quoted Mandela as saying that, "we want to improve relations between South Africa and Taiwan, and one of the things that will improve those relations would be a visit by me to Taiwan."

Mandela made the statement during a press conference in Pretoria prior to his trip to Japan and South Korea. He said his visit to the two countries would be for only eight days because of pressing issues at home.

He said that although Taiwan was not included on the itinerary, "that does not mean that we are reluctant to visit." He stressed that he visited Taiwan in 1993, and that "I intend to go there at my earliest convenience."

Taiwan-Saudi Arabia To Hold Economic Meeting
OW0807034795 Taipei CNA in English
0130 GMT 8 Jul 95

[By P.Y. Kuo and Flor Wang]

[FBIS Transcribed Text] Riyadh, July 7 (CNA) — The Republic of China [ROC] and Saudi Arabia have decided to hold a joint economic/technology-cooperation conference here in early November, in an effort aimed at further consolidating bilateral ties.

Vice Economic Affairs Minister S.J. Li, at the head of an ROC trade-promotion delegation, will co-host the

confab with Saudi officials. The two sides will explore the possibility of cooperative ventures.

While here, Li will also preside over the opening of a new plant of the Jubail Fertilizer Co., which is a joint venture between Taiwan Fertilizer Co. and Saudi Basic Industries Corp. In view of the substantial profits Jubail has already made through its other plants, the Saudi Government has repeatedly expressed its hope through different channels that more Taiwan industries could invest in Saudi Arabia.

Industrial Park Development in Panama Considered

OW0807102095 Taipei CNA in English
0924 GMT 8 Jul 95

[By Lilian Wu]

[FBIS Transcribed Text] Taipei, July 8 (CNA) — The Republic of China [ROC] Government will help domestic manufacturers invest in Panama and will study the possibility of setting up an industrial park in the nation, Economic Affairs Minister P.K. Chiang said Saturday.

In an investment seminar on Panama held at the Taipei International Convention Center, Chiang said that the ROC and Panama enjoy a long-standing friendship, noting that Panama is Taiwan's second largest export market in Latin America, next only to Mexico.

He added that the ROC and Panama have signed an investment guarantee agreement, an agricultural and fishery cooperation agreement, and an air transportation agreement. Panama's increased democracy and economic internationalization means that investment opportunity in the nation will increase, he said.

Chiang noted that the ministry has mapped out guidelines for increasing trade with nations in Central and South America with which the ROC has diplomatic ties.

Chiang said that under the guidelines, the ministry will help Taiwan businessmen establish footholds in Central America.

Noting that Panama, one of the most advanced nations in Central America, has convenient sea and air transportation networks, advanced telecommunications and no foreign currency controls, he said that the ministry is planning to lead a delegation to Panama in September to inspect the investment environment there.

Panamanian Foreign Affairs Minister Gabriel Lewis Galindo also said that Panama has extended tax breaks to investors in recent years.

Lewis said that the U.S. will return the Fort Davis military base near Colon to Panama by the end of the year. He hoped that Taiwan's successful development of Subic Bay in the Philippines could be used to help Panama.

Lewis, who arrived in Taipei with a high-ranking Panamanian business and investment promotion delegation Thursday for a four-day visit, will visit Subic Bay Sunday to inspect development there.

During a morning meeting with Lewis, Premier Lien Chan expressed appreciation to those friendly nations, including Panama, which have supported the ROC's bid to join international organizations such as the United Nations.

Lewis reaffirmed support for Taiwan's UN bid and also said Panamanian President Ernesto Perez Balladares will visit Taiwan later this year.

Meanwhile, a Taiwan entrepreneur said Friday the domestic industry will form a Latin American investment company for the development of industrial zones for Taiwan businessmen in Central and South America.

Jeffrey Koo, chairman of the Chinese National Association of Industry and Commerce, said that the company, with capital between NT\$500 million and NT\$600 million (US\$19.3 million - US\$23.16 million), will first target the Fort Davis military base, turning it into an export processing zone for Taiwan businessmen.

Koo said that the Central and South America investment company will focus on nations in the region friendly to the ROC.

More Central European Investment Considered

OW0807105895 Taipei CNA in English
0938 GMT 8 Jul 95

[By Debbie Kuo]

[FBIS Transcribed Text] Taipei, July 8 (CNA) — Taiwan has mapped out a comprehensive plan to explore the Czech and other Central European markets in a bid to diversify its overseas outlets and to expand ties with that region, industrial sources said Saturday.

A high-level Taiwan mission is scheduled to visit the Czech Republic, Poland and Hungary in September to further promote bilateral trade, investment, sci-tech and cultural exchanges, said Jeffrey Koo, chairman of the Chinese National Association of Industry and Commerce (CNAIC).

The mission, to be led by Economic Affairs Minister P.K. Chiang and CNAIC Chairman Jeffrey Koo, follows Premier Lien Chan's visit to the Czech Republic in June.

which marked another breakthrough in Taiwan's bid to end diplomatic isolation.

Koo said compared with many other nations in the world which are afraid of Communist China, the Czech Republic is exceptionally respectable for its bravery and far-sightedness. He said he will express Taiwan residents' gratitude to president Vaclav Havel for the warm hospitality the Czech Government and people showed to Premier Lien and Taiwan.

The Czech Republic, which has posted notable achievements in industrial and scientific fields, is a potential cooperation partner for Taiwan, Koo pointed out.

Many countries have recently expressed interest in developing closer relations with Taiwan since ROC Economic Affairs Minister P.K. Chiang's participation at the sixth conference of the Crans Montana Forum held in Switzerland in late June, Koo added. During the confab, Chiang expressed Taiwan's determination to contribute more to the international community, and President Li Teng-hui gave a clear picture of Taiwan's economic evolution and political democratization in a videotaped speech.

The Republic of Malta, among others, has expressed interest in cementing bilateral ties with Taiwan. Malta's finance minister will lead a trade and investment mission to Taiwan in the near future.

Although Taiwan and the Czech Republic maintain no formal diplomatic ties, substantive relations between the two countries have strengthened considerably during the past few years. Taiwan agreed to grant the Czech Republic a 1,500-car annual import quota, allowing Skoda compact cars to make inroads into Taiwan. The two countries are also discussing cooperation in various fields, including a biotech research program and a plan to sell Taiwan's IDF aircraft engines to the Czech Republic.

Trade Surplus Projected To Shrink in 1995

OW0807033595 Taipei CNA in English
0156 GMT 8 Jul 95

[By Benjamin Yeh]

[FBIS Transcribed Text] Taipei, July 7 (CNA) — Alarmed by the record US\$520 million trade deficit recorded in June, Economic Affairs Minister P.K. Chiang on Friday forecast that Taiwan's trade surplus may not top US\$6 billion this year, down from US\$9 billion in 1994.

Customs tallies indicate that imports outperformed exports last month, US\$9.163 billion to US\$8.615, leaving the deficit.

While saying it was not appropriate to base the yearly trade performance on a single month, Chiang pointed to a slew of negative factors that may have an impact on Taiwan's trade surplus, including the scaling back of trade surpluses with the United States and Hong Kong as well as the continued increase in deficits with Europe and Japan.

The about-face in trade with the US last month, with Taiwan showing a marginal surplus of US\$38,000, deserves special attention, said Yang Tsai-yuan, director of the Economic Affairs Ministry's Statistics Department.

The purchase of bulk grains and new passenger aircraft from the United States helped bring down Taiwan's surplus with that country, Yang said.

"(June's) minor trade deficit may mark the beginning of a reversal trend over the next several years," Yang said, pointing to the anticipated import of power-generating equipment worth hundreds of millions of dollars from the United States that will be used in Taiwan's seven new private power plants.

Also fueling the June import spurt was the increase in purchases of raw materials by Taiwan businesses fearful that prices of raw materials will continue to rise, Yang said.

Central Bank Not To Cut Rediscount Rate

*OW0807033495 Taipei CNA in English
0146 GMT 8 Jul 95*

[By Bear Lee]

[FBIS Transcribed Text] Taipei, July 7 (CNA) — Central Bank of China [CBC] Governor Sheu Yuan-dong said Friday that the central bank is not planning to cut the rediscount rate.

Sheu made the remarks when asked whether the central bank would follow in the path of the United States, which cut its rediscount rate a quarter of a percentage point.

Sheu said the US rate cut was made possible by an easing in inflationary pressure. "But this is not the case here in Taiwan, as commodity prices are still poised to rise," he said.

Meanwhile, CBC Deputy Governor Peng Fai-nan said the US rate cut is expected to have only a minor impact on the exchange rate between the US dollar and the new Taiwan [NT] dollar. He added that the exchange rate would continue to be determined mainly by market forces, by Taiwan's balance-of-payments performance, and by capital flow.

In response to the Federal Reserve move, the US dollar gained strength Friday on international markets, and rose NT\$0.049 to NT\$25.924 on the Taipei foreign exchange market.

Peng said the move was made to save the further deterioration of the US economy. The US had increased interest rates seven times since February 1994 before the most recent move.

Investors Urged To Look Beyond Mainland China

*OW0807105495 Taipei CNA in English
0958 GMT 8 Jul 95*

[By Y.C. Tsai]

[FBIS Transcribed Text] Taipei, July 8 (CNA) — Taiwan investors should seek to diversify their overseas investment destinations at a time when ties between Taiwan and Mainland China are at a low ebb, a business tycoon said Saturday.

Jeffrey Koo, chairman of the Chinese National Association of Industry and Commerce, made the remarks upon his return from Switzerland, where he attended the sixth conference of the Crans Montana Forum last week.

A 40-member Republic of China [ROC] delegation, led by Economic Affairs Minister P.K. Chiang, attended the forum for the first time. The forum was founded in 1989 with a view to finding ways to help promote economic development in Central and Eastern Europe following the demise of communism.

Koo, who is concurrently chairman of the Chinatrust group, pointed out that Taiwan manufacturers, who have pumped nearly US\$10 billion into the mainland, [word indistinct] encountered a number of difficulties in their mainland business operations.

Noting that the mainland is not an open market and is awaiting the establishment of a sound economic regime, he said that any change in trade rules and regulations could send a shock wave through Taiwan's business community.

Safety is also another major problem facing Taiwan investors on the mainland, he pointed out, adding that robberies are common.

In addition, he said, the mainland's runaway inflation rate, which the World Bank has put at 40 percent, has been giving Taiwan investors very bad headaches.

Currently, it is very difficult for the government to provide protection to Taiwan investors due to the postponement of the second meeting between Taiwan's Straits Exchange Foundation (SEF) Chairman Koo Chen-fu

and his mainland counterpart Wang Dao-han, chairman of the Association for Relations Across the Taiwan Strait (ARATS), which was originally slated to open in Beijing on July 20, he elaborated.

SEF and ARATS are two semi-official organizations established to tackle problems caused from cross-Taiwan strait exchanges in the absence of official ties between Taiwan and the mainland.

Against this background, Jeffrey said Taiwan investors must make concerted efforts to make inroads into the mainland market or other overseas markets.

Solidarity will produce strength, which in turn may influence cross-strait trade ties, he pointed out.

Given the current instability of cross-strait ties, he suggested that Taiwan investors temporarily freeze mainland investments in the next two or three years and keep a close watch on mainland development.

In addition to the mainland market, Taiwan investors could consider pitching into Southeast Asia or Eastern Europe in a new bid to diversify investments, he said.

Official Views Cross-Strait Financial Exchanges

OW1007030295 Taipei CNA in English
0155 GMT 10 Jul 95

[By Sofia Wu]

[FBIS Transcribed Text] Taipei, July 9 (CNA) — The Ministry of Finance has drafted a three-phase plan to liberalize financial exchanges across the Taiwan Strait, a ministry official said Sunday.

"We hope direct cross-strait financial exchanges will become a reality by the turn of the century," said the official, who spoke on condition of anonymity.

In the initial stage, the official said, the ministry will encourage exchanges of visits by bankers, insurers and securities brokers.

The ministry already allows overseas branches of Taiwan banks to forge cooperative ties with overseas outposts of Mainland Chinese banks with the specific aim of better serving Taiwan businessmen with interests on the mainland.

The official said the ministry will consider allowing local banks, securities brokerages and insurance companies to set up representative or liaison offices through indirect channels on the mainland to facilitate gathering of information about mainland financial market trends and operations of Taiwan-invested companies there.

As those representative offices cannot do business, the official said, the move is not expected to have any adverse impact on Taiwan's financial market.

The official said the ministry's mid-term goal is to allow Taiwan banks to open branches or subsidiaries through indirect channels on the mainland after foreign-invested banks are permitted to operate mainland currency-related dealings.

"We cannot allow local banks to set up branches on the mainland at the moment because Beijing authorities still ban foreign-invested banks from taking mainland currency deposits," the official said. "Under such a ban, bank branches must rely on Taiwan to obtain funds to finance their lending activities and other operations on the mainland, which may eventually affect our financial stability," he explained.

In the second stage, the ministry will also allow securities brokerages and insurance companies to set up branches or subsidiaries on the mainland in accordance with the national unification guidelines, which call for the "phased" development of cross-strait relations to pave the way for the eventual reunification of China under the principles of freedom and democracy.

In the third phase, Taiwan banks, securities brokerages and insurance companies will be able to make direct exchanges, and related world trade organization principles and regulations will be applied to regulate cross-strait financial links.

In promoting cross-strait financial exchanges, the official said, the Finance Ministry will refer to the government's mainland policy and the national unification guidelines to avoid undermining domestic financial market order and stability.

Hong Kong

Reportage on Joint Liason Group's London Meeting

PRC 'More Positive'

HK0807060495 Hong Kong *SOUTH CHINA MORNING POST* in English 8 Jul 95 p 1

[By Europe Editor David Wallen in London]

[FBIS Transcribed Text] The Joint Liaison Group [JLG] remains deadlocked in a number of key areas, says the head of the British side.

Hugh Davies, disappointed following the recent progress on the Court of Final Appeal and airport finance, reported only modest agreements.

He said the atmosphere for the three days of talks in London had improved over previous rounds and both sides wanted to make improvements in the limited time before the handover.

Agreement had been reached on the adaptation of Hong Kong laws on biological weapons, aircraft security, export promotions, and the franchise for China Motor Bus after 1997.

"I don't want to give you the impression that the JLG is on the verge of a new dawn," Mr Davies said yesterday. Difficult and complex negotiations were still required.

"Discussions remain stuck in a number of key areas. Nevertheless, I am hopeful we can build on our achievements," he said.

Mr Davies said the main stumbling block remained Container Terminal 9, although he would not comment on reports Jardines was holding talks with Beijing on the issue.

He also highlighted immigration and the right of abode as another difficulty as well as problems of the adaptation of Hong Kong laws to the Basic Law.

Chinese team leader Zhou Jihua painted a more positive picture, saying work had accelerated, the scope of business had widened and the new approach to the talks had proved more practical and flexible.

The JLG hoped to find "timeless solutions to all the major issues connected to the smooth transition of Hong Kong," he said.

He warned China was unhappy about lack of "prior consultation" over the pension scheme and the responsibility would have to be borne by the British side.

"The Chinese side cannot but express their strong dissatisfaction."

Delegates Hold News Conference

OW0807141895 Beijing *XINHUA Domestic Service in Chinese* 0612 GMT 8 Jul 95

[By reporter Shi Lujia (2457 7627 0163)]

[FBIS Translated Text] London, 7 Jul (XINHUA) — The Sino-British Joint Liaison Group [JLG] held its 33rd meeting here from 4 to 7 July to continue exchanging views on issues directly related to the handover of Hong Kong's political power.

Speaking at a news conference after the closing of the meeting, Zhou Jihua, chief delegate of the Chinese team, said: Prior to the meeting, China and Britain had reached agreement on the issue of Hong Kong's Court of Final Appeal and financial support of Hong Kong's new airport — two outstanding issues which had remained unresolved for a long period — which created a favorable atmosphere for the current meeting. In the spirit of continuous cooperation, the two sides carried out earnest, realistic discussions. As a result, they reached agreement on some issues and made progress in others. In addition, they also explored solutions to other more difficult issues.

He pointed out that the responsibility for the failure to reach agreement in some issues does not rest on the Chinese side. He also said: At this meeting, the Chinese side again expressed concern over the massive revision of Hong Kong's existing laws. So far, this issue has not been resolved.

Hugh Davies, the chief delegate from the British side, told the media at the news conference: Encouraging signs have recently appeared in Sino-British relations. It was in this background that the meeting made some progress and reached certain agreements. He said: The JLG still has a busy agenda. I believe there is hope of reaching agreement through earnest discussions.

The two sides all expressed the hope to further strengthen cooperation and accelerate their work so as to successfully resolve all the issues related to the handover of the political power.

The next JLG meeting will be held in Beijing. The specific time will be determined by the two sides through consultation.

Editorial Views Thaw in Sino-British Relations

HK1007052495 Hong Kong *EASTERN EXPRESS* in English 10 Jul 95 p 14

[Editorial: "Sino-British Thaw a New Challenge"]

[FBIS Transcribed Text] The recent turnaround in Sino-British relations poses a new challenge for the Governor,

Chris Patten, in the remaining days of his governorship. He must choose between softening his approach to political progress in Hong Kong and endangering the vulnerable thaw achieved recently.

It is not surprising that, following the momentous court of final appeal accord and the airport financial support agreements, political leaders are now calling for the Government to hold an additional set of elections shortly before the handover, in the hope of gaining Beijing's blessing for a political through train. The Liberal Party leader, Allen Lee, revealed yesterday that he is planning to lobby Chinese leaders on such a proposal during a visit to Beijing.

His move will sound familiar to Tsang Yok-sing, leader of the pro-China Democratic Alliance for the Betterment of Hong Kong, who has been urging Beijing to endorse another British-run election before 1997.

Although Patten has categorically denied a recent London newspaper report that he was prepared to strike a pre-1997 electoral deal with China, he made an interesting suggestion that it would rank as "second best" to the task of continuing the 1995 Legislative Council. "If the Chinese side were to put forward proposals which were plainly fair and open, and which could command majority support in the Legislative Council, then that would open up new possibilities," he said.

As hopes of further co-operation are running high, the Governor will be under pressure to show his enthusiasm in sweetening Sino-British relations, rather than the reverse. With all eyes set on the September's Legco polls, after the less-than-exciting municipal and district board elections, Patten is believed to be waiting with bated breath to prove to China that his reform is a success.

But in light of the cool response to the voter-registration drive, it looks unlikely that the turnout rate in the legislative election will be one that breaks any records. If voters respond coolly to the September polls, knowing that the last elected legislature under British rule will be short-lived, it will then be time for the Governor to resort to the lesser of the two evils — to organise further elections in return for the through-train.

It would be a less painful choice if such elections could equally guarantee openness and fairness and command the support of the Legislative Council.

Progress on Handover Grinds to 'Virtual Halt'

LD0707213095 London PRESS ASSOCIATION
in English 1949 GMT 7 Jul 95

[By Charles Miller, defense correspondent, PA News]

[FBIS Transcribed Text] Recent progress on the handover of Hong Kong to China ground to a virtual halt today.

After three days of tough talking, Britain's chief negotiator Hugh Davies said: "I don't want to give the impression we are on the verge of a new dawn.

"We remain stuck in a number of key areas, but I am nevertheless hopeful that we can build on a number of our achievement."

The Sino-British Joint Liaison Group met in London this week amid high hopes of progress after recent agreements on Hong Kong's new multi billion pound airport and a supreme court to replace the Privy Council after the 1997 handover. Another boost came with the visit of Hong Kong chief secretary Anson Chan's to the Chinese capital Beijing. This was seen as a clear sign that three years of bitter acrimony were nearing an end.

But Mr Davies, looking downcast, reported there had been nothing more than "modest progress". Agreements were limited to a small number of relatively insignificant issues such as aircraft security, extension of the biological weapons convention and a motor bus franchise. Deadlock was reached on the important issues of local laws, social welfare, visas and immigration.

However, Mr Davies said the atmosphere of the talks was much improved and there was a desire on both sides to pursue the issues vigorously when they return to Hong Kong.

"We always hope that results will be better than they turn out," said Mr Davies.

Earlier Mr Davies and his Chinese counterpart Zhao Jihua met Jeremy Hanley, the new Foreign Office minister with responsibility for Hong Kong. Mr Zhao was the first ambassador that former Tory chairman Mr Hanley had met since his appointment earlier this week after the Government reshuffle.

Anson Chan Views Mainland Resolution Issues

HK0807083795 Hong Kong SOUTH CHINA
MORNING POST in English 8 Jul 95 p 2

[By Chris Yeung]

[FBIS Transcribed Text] Chief Secretary Anson Chan Fang On-sang raised hopes yesterday that the Hong

Kong, British and Chinese governments will now enter a period of positive co-operation on the 1997 handover.

She cited the recent accords over the Court of Final Appeal and airport financing, then spoke of the need to resolve several other issues in the months to come.

These include immigration, container terminals, air services agreements and retirement protection as well as the localisation and adaptation of laws.

Mrs Chan mapped out the agenda of transitional issues in a speech to the Hong Kong Indian Chamber of Commerce yesterday.

She said the local and expatriate communities were anxious to know who would be able to acquire the right of abode in the Special Administrative Region [SAR].

"We need to know when, and how, the SAR passports will be issued. We also need to be certain that the SAR passports will be readily accepted by the international community, thereby guaranteeing our freedom of travel," she said.

Mrs Chan said the Government had held talks with the Chinese side on how the Immigration Ordinance should be amended to ensure it was brought in line with the Basic Law.

"I cannot over-emphasise the importance for us to make quick progress on this, in particular for former Hong Kong people who have acquired foreign nationality.

"Early resolution of these issues will do much to instil confidence, both amongst the local population and the business community ... Both sides appreciated the urgency in resolving these issues," she said.

No less urgent, Mrs Chan added, was the need to get early agreements on the development of Container Terminals 9, 10 and 11.

"Our existing facilities are under pressure and we urgently need new ones — but even if we were to start building tomorrow, no new terminals could be brought into use until mid-1997.

"I hope that in the coming months, we can reach agreement with the Chinese side on how to proceed not only in respect of CT 9 but also 10 and 11," the Chief Secretary added.

In an effort to revive the ill-fated CT 9 plan, the Financial Times of London reported yesterday that Jardine has raised the possibility of reducing its stake in the lucrative project in private talks with Chinese officials about six months ago.

Senior Government and British officials, however said there were no indications that Jardine would pull out

or reduce its stake in the Tsing Yi Container Terminal Consortium.

The consortium has been granted rights to develop two of the four berths under the CT 9 project.

Government spokesman Kerry McGlynn said it had not put pressure on Jardine to change its stake in the consortium.

Mrs Chan said the Government also hoped for agreements with China on other major franchises relating to the new airport in the coming months.

"We will need to reach agreement with the Chinese expeditiously if the airport's early and effective operation is not to be adversely affected."

On the transition of laws, she said Hong Kong had only agreed 16 localised bills with China and made adaptation proposals for about 130 out of the 600 ordinances.

The localised bills mainly covered civil aviation and merchant shipping.

"We need to move much faster. There are still 15 localisation bills to be agreed with the Chinese side," she said.

Agricultural Zone for Taiwan Investment Approved
HK0807060795 Hong Kong HONGKONG
STANDARD in English 8 Jul 95 p 6

[By Pamela Pun]

[FBIS Transcribed Text] Taiwan and mainland China sent out significant signals to each other yesterday in an apparent effort to heal relations which turned acrimonious after Taiwanese President Li Teng-hui made a landmark visit to the United States last month.

In a move to placate his angered rival in Beijing, Mr Li has suggested offering a NT\$5 billion (HK\$1.5 billion) fund to help China's agricultural development, according to reports.

The fund will be injected to the Asia Agricultural Development Foundation, aimed at assisting China's agricultural sector.

The foundation would help the mainland solve its grain shortage by introducing Taiwan's experience in agriculture, Mr Li was quoted as saying in Taiwan's United Daily .

The assistance will help boost the reunification of the nation, Mr Li told businessmen, adding that it is only because the gap in development and wealth has narrowed, that discussions on the issue are possible.

Kao Koong-lian, vice-chairman of the cabinet's Mainland Affairs Council (MAC), reiterated the offer of agricultural assistance of NT\$5 billion and said China might benefit from Taiwan's agricultural expertise.

"We have been strengthening agricultural exchanges and we want to improve the mainland's agriculture and give the mainland the experience of this little dragon," Mr Kao said.

The money, first offered earlier this year, is being raised under the supervision of the cabinet's Council of Agriculture. Mr Kao said the island hoped to open negotiation channels to discuss the agricultural development assistance with the mainland.

He also softened earlier statements by top Taiwan officials who had insisted Beijing makes the first offer to resume talks.

The mass-circulation newspaper quoted Mr Li as urging business tycoons on the island to contribute to the fund, saying the efforts would boost stability in China as well as help the reunification drive.

On the mainland, the authorities have decided to set up an agricultural zone for Taiwanese investment.

The State Council, China's cabinet, has just approved the establishment of the agricultural zone, which aims to attract Taiwanese agricultural investment, Chinese sources said.

Located at Zhangzhou in southeast coastal Fujian province, the agricultural development zone was set to introduce improved variety and agricultural technology from Taiwan.

Relevant departments in the city have been lobbying Beijing to grant the zone with a privileged status.

Shortly after the cabinet's new move, more than 130 delegates from the mainland, and its arch-rival Taiwan, gathered at Zhangzhou to discuss ways to promote agricultural exchanges across the straits.

Officials attending the seminar included Hu Ping, the director of the Special Economic Zone Office, and others from the State Council's Taiwan Affairs Office, the State Planning Commission and China Agricultural Exchange Association.

Mr Hu encouraged the municipal officials in Zhangzhou to attract investment and new technology into agriculture from Taiwan.

Zhang Refuses to 'Rule Out' Lu-Patten Meeting

HK0807071295 Hong Kong HONGKONG STANDARD in English 8 Jul 95 p 4

[By M.Y. Sung]

[FBIS Transcribed Text] China has softened its stance on the possibility of meetings between Hong Kong and Macao Affairs Office (HKMAO) director Lu Ping and Governor Chris Patten.

Chief Secretary Anson Chan Fang On-sang's secret visit to Beijing last week raised the question of a future meeting between Mr Lu and Mr Patten.

Xinhua News Agency local office deputy director Zhang Junsheng yesterday refused to rule out the possibility of a meeting between Mr Lu and the governor, and said a future arrangement would be considered.

Commenting on Mrs Chan's three-day visit to Beijing last weekend, Mr Zhang said the exchange of views was a good thing.

Asked whether Mr Lu would meet the governor, Mr Zhang said: "How to arrange the activities in the future, we will consider it later."

Mr Lu, China's top man on Hong Kong matters, has repeatedly snubbed the governor on his visits to Hong Kong in 1994 and this year.

Under the Memorandum of Understanding (MoU) concerning the construction of the new airport, it was agreed Mr Lu and the governor would hold regular meetings.

However, Mr Lu has said publicly that the MoU is no longer binding as it has been destroyed by Britain's action to leave a debt of more than \$5 billion to the post-1997 government.

Mr Patten had written privately to Mr Lu requesting a meeting, but Mr Lu dismissed it, saying a meeting with no result would be meaningless.

Mr Zhang said Mrs Chan's visit was unofficial and was made during her vacation.

He said the visit was arranged in a very short time, so only a few senior Chinese officials knew of it, and any leak of information was restricted. He confirmed that China would consider arranging further meetings after Mrs Chan had made it clear in Beijing that more direct contacts would be welcome.

Zhang Says Patten's Claim 'Childish'

HK0807071095 *Hong Kong EASTERN EXPRESS*
in English 8-9 Jul 95 p 1

[By Rain Ren]

[FBIS Transcribed Text] The Governor, Chris Patten, has been branded as "childish" by a senior Chinese official as the war of words continues over the visit to Beijing by the Chief Secretary, Anson Chan.

Zhang Junsheng, the deputy director of the New China News Agency (Xinhua), said it was "rubbish" to suggest that talking to Chan meant talking to Patten indirectly — a claim made by the Governor.

"If we follow his logic, can we say that by talking to Chan several days ago, Qian Qichen and Lu Ping have talked to the British prime minister?" Zhang asked.

"How funny and how childish to make such remarks.

"Talking to Chan means only talking to Chan, not anybody else," he said.

A Government spokesman said Zhang had "missed the point".

"What the Governor said was blindingly obvious. He is the Governor of Hong Kong.

Anson Chan is his Chief Secretary, his principal adviser. In talking directly to Anson Chan about matters affecting Hong Kong, it does indeed have the same effect as talking to the Governor because he takes the final decision.

"As both he and Mrs Chan have said, they are a team and they are as one on Hong Kong issues," the spokesman said.

Chan paid a three-day visit to Beijing last weekend and met Qian Qichen, a vice-premier and the Foreign Minister, as well as Lu Ping, the director of the Hong Kong and Macao Affairs Office.

Zhang's comment confirmed China's resolve to further sideline Patten and to establish a direct channel of communication with Chan in the run-up to the 1997 handover.

Zhang said there would be more contact between Chan and Chinese officials in future to improve understanding between Beijing and local civil servants.

He also lashed out at the Government for "spreading rumours" that Xinhua was not aware of Chan's visit in advance and suggesting that it was being sidelined by Lu's office in Beijing.

"Anyone who spreads such rumours has ulterior motives," he said.

Zhang also revealed that Xinhua would announce the third batch of district advisers shortly because "the public requested it".

There are already more than 500 district advisers in Hong Kong.

Patten Views Hong Kong Situation

MS1007110995 *London INDEPENDENT* in English
10 Jul 95 p 15

[Report by Stephen Vines: "In Coventry, in Hong Kong"]

[FBIS Transcribed Text] Was nature conspiring to produce the appropriate atmospherics? Outside the Governor's office a furious storm was bellowing, the skies emptying with cascades of rain. Inside sat Chris Patten, the last governor of Hong Kong, mildly amused by the weather's histrionics: "Wagnerian" he called them. Meanwhile, he was not in the least dismayed to be asked, on the third anniversary of his appointment how it felt to be the most isolated governor in Hong Kong's history.

For not a single Chinese official will even speak to Chris Patten. The leaders of the business community shun him like a bad smell and even members of his civil service are discreetly erecting barriers between themselves and their boss. Now even the democratic camp, which centered into a tactical alliance with the Governor to push through his reform programme, has taken against him.

"The British colonial governor is not going to have many people queuing up to go into the trenches with him," says Mr Patten without rancour, describing himself in the third person to somehow depersonalise the issue. "I think the pity of it is that so much political comment in Hong Kong depends on two letters on the word processor: it's either 'c' for confrontation or 'k' for kowtow."

His argument is that although Hong Kong's politicians, businessmen and other community leaders may be shunning him, the public is backing him. "If this government was able to stand for re-election it would win at a canter," he says in the safe knowledge that the claim can never be put to the test. Yet he has a point. His personal opinion poll ratings are falling but still register a roughly 50 per cent satisfaction score and, despite the fact that practically every single member of the legislature is now opposed to the Governor, the government still gets practically all its Bills and spending proposals through the chamber unscathed.

However Patten now faces one of the biggest legislative tests of his governorship, with the coming attempt to

enact the Sino-British deal on the establishment of a new court of final appeal. Mr Patten's former wary allies in the democratic camp are so angry about the deal that they have tabled an unprecedented motion of no-confidence in the Governor. Even members of other parties, who can normally be counted on to put their hands up in favour of anything approved by China, have expressed a determination to amend the government's Bill.

Concern over the future of the legal system is a cornerstone of unease over the future of Hong Kong. Opponents of the deal say that it will weaken the judiciary at its highest level and thus undermine the entire legal system. Unsurprisingly, Mr Patten sees things differently. "It was a hole out of which I was delighted to climb," he says. The crux of his argument is that an agreement is better than no agreement, albeit one falling short of perfection, and that it gives the Hong Kong legislature a role in establishing the court, rather than allowing China to do whatever it wants.

Although determined to fight for the deal, he is equally determined, much to China's annoyance, to give legislators the last word, saying that if they give the "thumbs down, that's it". He accuses opponents of the deal of "focusing on a different political agenda". Choosing his words carefully, he says that their focus is "How will the government behave after 1997?". In other words, will powers now used benignly be taken up and used in a ruthless manner by the new Chinese-controlled administration?

The Governor declines to say what will happen — "my ability to provide people with the reassurance they want" is limited, he explains. "They will have to be answered by China. It's not a cop-out on my part, it's a statement of the perfectly obvious."

But Mr Patten's position is inherently untenable. He has simultaneously to assert the authority of the colonial administration and "do exactly the same things right down to the wire on 30 June 1997" while not being seen as interfering with the new administration's business, much of which must be underway before 1997. "The Governor of Hong Kong," says Mr Patten, "would want to take more of a back seat the closer we got to 1997, but also the Governor of Hong Kong expected he would spend his first period being rotted off for wanting to duff up every Chinese diplomat on the face of the earth and his last two-and-a-half years being criticised for being a combination of Neville Chamberlain, Percy Craddock — whom God preserve — (his nemesis in the Foreign Office who is accused of inventing the British kowtow to China) and Willy the Wimp."

There is some talk around town about the Governor having finally been house-trained by his civil servants, an idea that will come as a surprise to those who still regard him with a mixture of fear and bewilderment; and one that certainly does not impress Chinese officials who took another step in their campaign to isolate Mr Patten last week by rolling out the red carpet in Beijing for his deputy, Anson Chan, while pointedly insisting that Patten remains *persona non grata*.

Is the Governor consciously cultivating the role of punch-bag, to take the heat off his local officials? "It's a very proper role," he replies. "I can draw lines in the sand more easily than they could." His point is that not only will he be off the premises in the near future, and is thus able to say things that would be held against those who are staying, but he can also demonstrate the extent to which the sovereign power is allowed to meddle in the territory's affairs.

And the mood in the colony? Mr Patten is circumspect in answering this question. "I don't think you find mindless optimism in large measure in Hong Kong," he says tactfully, and then runs through the usual buzzwords, including "resilience" and "success", which politicians use when talking about Hong Kong. But he adds a caveat, referring to the tens of thousands of key people who have taken out insurance policies in the form of foreign passports. "I don't think they want to cash in their policies, but I think what happens this year and next will go a long way to making their minds up."

And what about the preparations for lowering the flag? The question has clearly been much on the Governor's mind. The problem, he says, is that when you "go to the Foreign Office records and pull out files marked 'leaving', they are mostly about handing over to independent countries". Nothing of the kind will happen in Hong Kong, so the government has to steer a middle course between what will be a wake for some and a celebration for others. The thrust of the occasion will be low key, "not low key as a euphemism for skulking off, but in the sense that we are not ourselves trying to create a Festival of Britain".

As for Chris Patten, the ex-Governor, he is planning to write a couple of books on "some interesting questions in politics"; all other options seem to be firmly open.

A year after arriving in Hong Kong, Mr Patten, bubbling with enthusiasm, described his job as "the best in the world". Invited to repeat this assessment, he demurs and starts talking about "a job that matters", and about never being bored. Does that all add up to it being the best job in the world? "Maybe there's a better job," he replies, "being Chief Executive (of Hong Kong) after 1997, but I don't think I'm going to get it." At last he has found

an issue on which he and Chinese officials can reach perfect agreement.

Patten Denies Plans To Stand for UK Parliament

*HK0807071495 Hong Kong EASTERN EXPRESS
in English 8-9 Jul 95 p 1*

[By Norma Connolly]

[FBIS Transcribed Text] The Governor, Chris Patten, last night poured cold water on reports that he has been shortlisted to stand as a British parliamentary candidate in a safe Conservative seat in Essex.

A mystery letter from Hong Kong and an over-eager suburban journalist have fuelled speculation that Patten — who has spent most of the week brushing off claims that he was being "sidelined" by Beijing in favour of the Chief Secretary, Anson Chan — was being sought by local Tories in Southend West as a replacement for their retiring MP, Paul Channon.

Locals in the Essex town have been eagerly awaiting news of the shortlist of candidates to be drawn up.

The town has been buzzing with talk of Hong Kong's most famous expatriate leaving the towering skyscrapers of the territory to settle into life under the grey skies of Essex.

As one of the safest Tory seats in Britain, Patten could campaign from Mars and still get in.

But the chairman of the local Conservative association in Southend West, Ronald Payle, is having none of it. "Chris Patten? Never heard of the man," he said.

Payle said the rumours started when a letter from Hong Kong landed on his desk and was spotted by a "silly local reporter" with a vivid imagination.

"It's all surmise. I received a letter from Hong Kong and someone thought it was from Chris Patten. In fact, it was from a completely different source," he said.

Conservative Central Office in London denied all knowledge of Patten's rumoured move to the land of awkward stilettos, white socks and gold chains.

Meanwhile, in Hong Kong, Patten's office seemed blissfully unaware of plans to turn him into an Essex Man.

"Chris Patten has never been to Southend and he certainly has no plans to go there," the Government spokesman, Kerry McGlynn, said.

"And he most certainly has no plans to stand as a candidate, as he will be here in Hong Kong until June 30, 1997."

The mysterious Hong Kong post-marked letter that gave rise to all the speculation was from an unnamed Tory hopeful currently working in the territory.

Commentary Views New Foreign Office Minister

Editorial on Hanley Appointment

*HK0807071895 Hong Kong EASTERN EXPRESS
in English 8-9 Jul 95 p 14*

[Editorial: "Why Do They Send Us Clowns"?]

[FBIS Transcribed Text] "Send in the clowns," they said — or something to that effect. How else does one explain the latest appointment of Jeremy Hanley to the post of Foreign Office minister for Hong Kong?

Just what is it about Hong Kong that attracts absolute deadbeats as ministers?

Hanley got the job because his predecessor, Alastair Goodlad, has been promoted to chief whip in the latest cabinet reshuffle by the Prime Minister, John Major.

Hanley, nicknamed "Gaffer", is a certified failure who has been fired from the chairmanship of the Conservative Party after just one year of non-stop gaffes and disastrous mistakes.

But such failure, it would appear, is not a disqualification for the Hong Kong assignment.

Goodlad, the last man in the job, could launch a hot-air balloon by just blowing in the wind.

About this time last year, on the eve of his trip to Beijing, Goodlad assured China it should have no fears over the remaining years of British administration in Hong Kong.

"I believe," Goodlad said, "we share the determination to effect the transfer of sovereignty in a way that is conducive to the stability and prosperity of Hong Kong and I am determined that we should succeed."

The Chinese are still waiting for deeds to match the words.

Goodlad's predecessor was the redoubtable Lord Caithness, whose wife shot herself following her husband's affair with Jan Fitzalan-Howard, 45, a socialite who had been a secretary to Princess Anne and Princess Michael of Kent.

The developments in the Caithness affair deepened the crisis Major's government faced.

Caithness's predecessor was Lord Glenarthur, who can be neatly summed up as the archetypal square peg in a round hole.

The beauty of it was that the good lord didn't even have to try to be anything else as far as Hong Kong was concerned.

With Hanley, the media at least will never be stumped for quotes.

The hapless "Gaffer" was a surefire hit when, during a local government election campaign, he dismissed journalists as "irrelevant" — did he mean irreverent?

He then announced that he would only answer questions on subjects he chose and on which he had been fully briefed.

Hanley's one great fan in Hong Kong is the Governor, Chris Patten, whom he served as parliamentary private secretary when our leader was a cabinet minister in 1990.

The wheel has now come full circle. The one-time political bag-carrier for Patten, in a reversal of roles, has now become his boss at the Foreign Office.

A scene not to be missed — if and when it materialises — would be a session between Hanley and Legco's [Legislative Council] Information Panel headed by the fire-spewing legislator, Emily Lau.

The welcome mat is out, dear Hanley, and don't keep us waiting. The suspense is killing.

Further on Hanley

HK0807083895 *Hong Kong SOUTH CHINA MORNING POST* in English 8 Jul 95 p 16

[Editorial: "Another Gaffe"]

[FBIS Transcribed Text] Gaffe-prone Jeremy Hanley's appointment as Britain's new minister in charge of Hong Kong affairs is a worrying sign that the territory is beginning to slip from the political agenda in London now that the big ticket controversies over the handover seem to have been settled.

After being sacked as Conservative Party chairman, Mr Hanley was apparently considered not up to the job of running the Ministry of National Heritage, which he had been expected to get. So he was packed off to handle Hong Kong instead.

Governor Chris Patten may see that as good news. Instead of reporting to a middle-ranking minister in London, he now has his former parliamentary private secretary in the post and can expect Mr Hanley to follow his direction.

But, for anyone without a personal stake in the matter, the appointment looks more like an expression of con-

tempt for Hong Kong, and indicates how unimportant the position has become since a political heavyweight took up the Governorship.

More worryingly, it may also reflect a feeling in Britain that, with the political reform and Court of Final Appeal controversies now in the past, there is less need to keep such a close eye on Hong Kong.

Mr Patten already visits London less often than before, and his trips can be expected to become still more infrequent over the next two years.

With John Major and Foreign Secretary Malcolm Rifkind beset by domestic problems and difficulties over Europe, little short of an unexpected crisis with China is likely to turn their attention to Hong Kong matters, which means that it will be left to Mr Hanley to handle London's response to the territory's day-to-day problems.

Mr Hanley may prove better at diplomacy than he was at chairing the Conservative Party. But he starts with an almost insurmountable handicap, largely of his own making. His reputation for blunders means that few will take his appointment seriously, that the Foreign Office will be desperate to keep him away from the territory, and that any visits are likely to degenerate into a spot-the-gaffe hunt.

Hong Kong has come to expect little from the junior ministers who handle its affairs. So being landed with someone considered unsuitable for service elsewhere in government in Westminster comes as little surprise. No one will expect too much of Mr Hanley: they are unlikely to be disappointed.

In the end, the appointment could hurt Britain more than Hong Kong. By reinforcing the impression that the territory is seen as a place for second-raters, it may adversely reflect on Mr Patten — and at the same time accelerate the decline in Britain's image and influence in the region during its final two years of rule.

UK Introduces New Container Terminal Proposal

HK0907063495 *Hong Kong SOUTH CHINA SUNDAY MORNING POST* in English 9 Jul 95 p 2

[By Quinton Chan and Catherine Ng]

[FBIS Transcribed Text] Britain has put forward a new proposal to China to solve the impasse over the delayed Container Terminal 9 project at the latest Joint Liaison Group (JLG) meeting in London.

Executive Councillor Professor Felice Lieh-Mak said yesterday the Government was trying to resolve the deadlock in a creative way.

She did not give details of the proposal.

"But we have to maintain two principles," she said.

"One is to retain the competitiveness: we don't want to see one company monopolising the market. The other is to retain the Government's credibility with business.

"This is very important, not just to the present Government but also to the future administration."

Professor Lieh-Mak's remarks came after little progress was made at the JLG talks, in which three minor agreements were made.

She said this was expected since the JLG expert groups had yet to sort out details on main issues, including the CT9 project.

The Chinese team leader, Zhao Jihua, said talks had accelerated, with areas of discussion widening.

But Mr Zhao was not satisfied by Britain's unilateral action over the Mandatory Provident Fund scheme. He said this was an important issue which should be discussed in the JLG before being implemented.

Deputy Secretary for Education and Manpower Jacqueline Willis said yesterday that plans to ensure the Mandatory Provident Fund Bill was passed by the end of current legislative session remained unchanged.

She stressed the Government would consult the Chinese side at every stage.

The Government would table the bill for its second and third readings in the last full Legislative Council meeting on July 26.

Leader Says Court Agreement 'Rotten Deal'
HK1007051395 Hong Kong EASTERN EXPRESS
in English 10 Jul 95 p 2

[By Nick Squires]

[FBIS Transcribed Text] The "irreparable damage" inflicted on the rule of law by the Government continues to threaten to undermine Hong Kong's future, the leader of the Democratic Party, Martin Lee, said yesterday.

Last month's Sino-British agreement on the court of final appeal was "a thoroughly rotten deal" that will enable Beijing to twist the law to its own ends, Lee said.

Lee, who was speaking on radio as part of the Letter to Hong Kong series run by RTHK, said the signing of the CFA deal will "make it a thousand times more difficult" for Hong Kong people to control their own destiny.

"Companies doing business in Hong Kong know, as do Hong Kong people, that without the rule of law,

investors and citizens alike can look forward to a legal environment plagued by a lack of transparency, corruption, and a marginal respect for economic and civil liberties," Lee said. He said the Government had created "a gaping hole" in Hong Kong's common law by conceding that Beijing will be able to decide which matters lie beyond the jurisdiction of the CFA, and by accepting Beijing's "uncertain" meaning of the term "acts of state".

Lee, who celebrates 10 years in politics at the end of the Legislative Council session later this month, painted a gloomy picture of Hong Kong under Chinese rule.

But he sent a defiant message to Beijing, London and the Governor, Chris Patten, pledging that "we will fight harder than ever before for our rule of law and way of life". He said Hong Kong had succeeded over the past decade despite "pessimistic predictions and against great odds".

"Instead of being cowed into submission after Tiananmen Square, Hong Kong people have increasingly been aware of their rights and demanded that the promises for a democratic and accountable society be honoured," Lee said. He criticised the Government for the CFA agreement, for the stifling of democratic elections in 1988, and for "numerous violations" of the Joint Declaration since 1984.

Lee accused the British of betraying the interests of Hong Kong and reaching "bad deals" for the territory. He said the business community's declining confidence in Hong Kong was demonstrated by the fact that nearly 60 per cent of the 530 companies listed on the stock exchange had moved their legal domicile overseas mostly to Bermuda, where unlike Hong Kong, access to the Privy Council as the highest court will continue after 1997.

Justifying the Democratic Party's holding of a vote of no confidence in Patten on Wednesday, Lee said: "Now we have the certainty that there will not be rule of law at all after 1997. In short, we may be certain of uncertainty. "The Governor and Britain may have surrendered in the fight to preserve our rule of law, but we most certainly have not," Lee said.

A Government spokesman said Lee "once again completely distorts the CFA agreement by claiming it 'creates a hole in the common law' ... This is a red herring, and Mr Lee knows it — or, at least, as a lawyer, he should know it". The spokesman said Lee's claim that the CFA deal had struck a blow at business confidence was nonsense. "The agreement has been unanimously welcomed by both the local and international business communities, as indeed it has been welcomed by the

governments of the United States, Japan, the European Union, Australia, Canada, New Zealand and South Korea," he said.

The spokesman accused Lee of damaging Hong Kong's reputation abroad and harming investor confidence by linking the CFA deal with some companies moving away from Hong Kong. "Few, if any, such companies would have done so since the agreement was announced a month ago. "The CFA agreement is good for Hong Kong and good for the rule of law. It buttresses the rule of law in Hong Kong by ending the uncertainty about the establishment of the court and by providing continuity beyond 1997."

Airport's Runway Deferred Until After 'Handover'

HK1007051295 Hong Kong SOUTH CHINA SUNDAY MORNING POST in English 9 Jul 95 p 2

[By Quinton Chan]

[FBIS Transcribed Text] Chek Lap Kok airport's second runway is expected to be built after the handover, in a bid to avoid more Sino-British negotiations on its financing package.

A source close to Chinese side said the Provisional Airport Authority's initial business plan showed the second runway would be built in 1998, soon after the new airport opened to flights.

The 30 months needed to complete work would mean the airport's capacity could only be boosted in 2001.

The authority's plan said the initial cost of the second phase, including the second runway, the north arm of passenger terminal Y and new aprons would cost more than \$30 billion at today's prices. The project will increase the airport's capacity to 87 million passengers a year.

The source said the Government had agreed the second runway would be built after 1997, so there would be no question of new financial talks.

"Thus the project will only be a matter between the Special Administration Region government and the airport authority," the source said.

It is understood the only request for funds for the project before 1997 will be a consultation fee, which will not exceed \$1 billion.

An authority spokesman confirmed the body was drafting a business plan for the airport's future development, but a decision would only be made when existing projects were well under way.

The new completion date is a year later than the authority's original masterplan, which said the second

runway would open two years after operations began in 1998.

The new forecast also means the second runway will be finished after Chek Lap Kok reaches its capacity. The authority expects the new airport, with one runway, will have a passenger capacity of 35 million.

But latest figures show passenger flow will increase to 34 million in 1999, with a 6.5 per cent rise every year.

Government 'May' Fill Positions With Outsiders

HK1007051295 Hong Kong SOUTH CHINA MORNING POST in English 10 Jul 95 p 1

[By Fung Wai-kong]

[FBIS Transcribed Text] The Government may be forced to appoint professionals from outside the civil service to senior positions because of staffing problems in the run up to 1997.

A government source said the problem had worsened recently with more senior officials obliged to take early retirement because of the service's localisation policy.

Faced with an embarrassing shortage of talent to take up these top posts, the Government was now considering opening up department head and policy secretary positions to the private sector, especially in the more technical portfolios, such as transport, telecommunications or public works. "If more senior officials opt out of the civil service in the coming two years, the Government could have difficulty finding equally experienced replacements," said the source. "We will be facing a serious experience gap within the Government under such circumstances. "An outsider, with proven experience in the field, would be capable of heading these branches or departments."

The Government admits that about 30 per cent of directorate staff will be eligible for retirement before 1997. The source said recruiting outsiders into top posts was not an entirely new proposition. The present Secretary for Works, James Blake, was originally the chief executive of a private engineering consultancy firm. However, his appointment in 1991 was criticised by government engineers, who said it set a bad precedent. They petitioned Prime Minister John Major, asking him to overrule the decision.

The Government also appointed two senior lawyers in private practice, Daniel Fung Wah-kin and Peter Nguyen, as the Solicitor-General and Director of Public Prosecutions last year. The administration has still to consult civil servants. "Civil servants will certainly see the move as a threat to their promotion opportunity," said the source. "The Government will have to consider

how this will affect their morale." The more sensitive posts would continue to be the sole domain of civil servants.

Article Views Access to Telecommunications Market

HK0807085795 Hong Kong EASTERN EXPRESS in English 8-9 Jul 95 p 27

[By Kate Fiddes]

[FBIS Transcribed Text] While Hongkong Telecom may appear to have hit a brick wall in its attempts to gain access to the China market, the chief executive, Linus Cheung, said yesterday the delay is justified.

One of the main blockages is on a project to set up the mobile phone service in Beijing which was announced at the end of last year.

"It is taking longer than is required because we want to have an agreement that is beneficial to both parties and to our shareholders," Cheung said.

He said discussions are continuing and the company has been further encouraged by the Ministry of Post and Telecommunications' assurances last week that Hong Kong will remain a telecommunications hub after the handover. Telecom has signed a deal to construct a fibre-optic link between Hong Kong and Beijing. It is expected to be completed by the end of the year but is not tipped to be a significant income spinner.

Speaking about the recent opening up of the local telecommunications market to three new fixed telecom network service providers, Cheung dismissed suggestions Telecom will suffer.

"Hongkong Telecom has always been very experienced in handling competition," he said.

"There's no concern whatsoever" over new competition from Wharf's New T&T, Hutchison Telephone and New World Telephone hurting Telecom, Cheung said. Cheung said that the number of lines in Hong Kong is

3.2 million and this is increasing by 6 to 7 percent per year.

This means that Telecom has clocked up a penetration rate of about 52 per cent of the population during its time as a monopoly. The chairman of Telecom, Lord Young, said it is going to be "the leading company in the world in interactive multimedia services", which could be on offer from next year.

Cheung and Young spoke yesterday at the opening ceremony of Hongkong Telecom Tower in Taikoo Place in Quarry Bay. The 42-storey tower has a floor area of about 500,000 square feet.

Macao

Macao To Mark Anniversary of Anti-Japanese War
OW0807114895 Beijing XINHUA in English
1128 GMT 8 Jul 95

[FBIS Transcribed Text] Macao, July 8 (XINHUA) — Macao is going to hold a series of activities to mark the 50th anniversary of the victory of the worldwide anti-fascist war and the anti-Japanese war of China.

Information released from a news conference held here today said that a group of Chinese famous film stars and athletes, who are world championship winners, will be invited to attend a get-together, including performances and sport matches, to be held from July 27 to 30.

Moreover, an exhibition of photos marking the victory of the 50th anniversary of the victory of the anti-fascist war and the anti-Japanese war of China will be held from August 26 to 30 at the Macao Exhibition Center. More than 200 pieces of precious historical photos, provided by the Museum of Chinese Revolution, will be exhibited.

These activities are aimed at further educating Macao compatriots to love the motherland and make more contributions to the prosperity of the motherland.

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